



BYLAWS

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BYLAWS of Pioneer Electric Cooperative, Inc.

Amended as of September 10, 2020

ARTICLE I — MEMBERSHIP

Section 1. REQUIREMENTS FOR MEMBERSHIP.

Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Pioneer Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that such person or it has first:

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

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

Section 2. MEMBERSHIP.

Membership in the Cooperative shall be evidenced by a completed membership application which shall be in such form and shall contain such provisions as shall be determined by the Cooperative.

Section 3. JOINT MEMBERSHIP.

A husband and wife may apply for 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 or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;

(f) Withdrawal of either shall terminate the joint membership;

(g) Either but not both may be elected or appointed as an officer or board member, 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 such person's spouse to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the board. The Cooperative shall record the changed membership status in its records.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The Cooperative shall record the changed membership status in its records, 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 electric energy used on the premises specified in such person's application for membership and shall pay therefore at rates which shall, from time to time, be fixed by the board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the board from time to time. Each member shall also pay all amounts owed by such person 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 may prescribe. The board may, by the affirmative vote of not less than two thirds of all the members of the board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the board, but only if such member shall have been given written notice by the Cooperative that such failure makes such person liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the board or by vote of the members at any annual or special meeting. The membership of a member who, for a period of six (6) months after service is available to such person, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be canceled by resolution of the board.

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

ARTICLE II — RIGHTS AND LIABILITIES OF MEMBERS

Section 1. PROPERTY INTEREST OF MEMBERS. Upon dissolution, after

(a) All debts and liabilities of the Cooperative shall have been paid, and

(b) All capital furnished through patronage shall have been retired as provided 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 ten years next preceding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

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 — MEETING OF MEMBERS

Section 1. ANNUAL MEETING.

The annual meeting of the members shall be held each year, between February 1st and October 31st, at such place within a county served by the Cooperative, as selected by the board and which shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. SPECIAL MEETINGS.

Special meetings of the members may be called by resolution of the board or, upon a written request signed by any three board members, by the President, or by ten percentum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the board and shall be 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 twenty days nor more than thirty-five 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 such person's address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. QUORUM.

As long as the total number of members does not exceed five hundred, ten percentum of the total number of members shall constitute a quorum. In case the total number of members shall exceed five hundred, fifty members 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 vote upon each matter submitted to a vote of the members.

A member who is other than a natural person must designate a natural person to represent it by giving the Cooperative a written notice or resolution, which shows that the named representative has been authorized by the governing or managing body of such member to represent it at the meeting of the members.

A member may vote or act by mail on any matter submitted to a vote at a meeting of the members in conjunction with a meeting of the members pursuant to these Bylaws. A meeting of the members includes the annual meeting, special meetings and a meeting held on the question of merger or consolidation. Unless otherwise provided by law, the Articles of Incorporation, or these Bylaws, a majority of the member votes cast in favor of a matter, either in person and/or by mail, shall result in the passage of such matter. A coin flip shall resolve any tie in electing a trustee.

Mail Ballot

A member may vote by mail on any matter submitted to a vote at a meeting of the members. The Cooperative shall enclose with the notice of a meeting of the members any matter to be voted on and ballot forms to complete and return by mail (the "Mailed Ballot").

The Member may express a choice by marking the appropriate space on the Mailed Ballot and mail or deliver the Mailed Ballot to the Cooperative in the provided plain, sealed envelope (the "Privacy Envelope") inside another envelope (the "Return Identification Envelope") bearing the member's name.

Any material soliciting approval of any action by Mailed Ballots must:

- (1) Contain, or be accompanied by, a copy or summary of such proposed action; and
- (2) Specify the time by which the Cooperative must receive the executed Mailed Ballot.

A properly executed Mailed Ballot received not less than five (5) days prior to the date of the meeting of the members shall be accepted by the Cooperative and counted as the vote of the member. Except as otherwise provided by the Board, a member may not revoke an executed Mailed Ballot received by the Cooperative and the Member submitting a Mailed Ballot may not vote at the meeting of the members regarding a matter described in the Mailed Ballot.

Section 6. MEETING OF THE MEMBERS IMPOSSIBLE OR IMPRACTABLE.

Notwithstanding anything to the contrary contained herein, in the event a meeting of the members is impossible or impracticable due to circumstances outside of the Cooperative's control, then the Board may determine that action normally required to be taken at a meeting of the members may instead be submitted to a vote of the members solely by Mailed Ballot without a member meeting. In such event, Cooperative shall extend the date to receive executed Mailed Ballots by sixty (60) days from the date of the originally scheduled meeting of the members. Cooperative shall provide notice to the members of the cancelation of the meeting of the members and state the new time and date by which the Cooperative must receive the executed Mailed Ballot.

All properly returned Mailed Ballots shall be counted by not less than three (3) non-trustee members of the Cooperative appointed by the Board of Trustees. The results of the counting of all properly returned Mailed Ballots cast on any action before the members shall be certified by the three non-trustee members.

A proposed action is approved if: (1) the number of executed Mailed Ballots without a meeting of the members timely received equals or exceeds the Member quorum; and (2) a majority of the executed Member Ballots are cast in favor of a matter. A coin flip shall resolve any tie in electing a trustee. The Cooperative shall notify all members regarding an action approved by Mailed Ballot without a member meeting and the action is effective upon the date of certification.

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, except as otherwise determined by the members at such meeting:

1. Report on the number of members present in person and represented by proxy in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.

4. Presentation and consideration of reports of officers, trustees and committees.
5. Election of board members.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE IV — BOARD MEMBERS

Section 1. GENERAL POWERS.

The business and affairs of the Cooperative shall be managed by a board of nine (9) members which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

Section 2. DISTRICTS.

The territory served or to be served by the Cooperative shall be divided into nine districts, each of the first six of which shall contain as nearly as practicable the same number of members. Each district shall be represented by one trustee. The nine districts shall be as follows:

DISTRICT NO. 1 shall be composed of Townships 29S north of county Road 17, 28S and 27S in Stanton County; Townships 30S and 29S, Ranges 38W and 37W west of county Road H, Townships 28S, 27S and 26S west of Hwy 25 in Grant County; all Hamilton, Kearney and Finney County.

DISTRICT NO. 2 shall be composed of the entire section south of Hwy 160 and North of Grant/Stevens county line between Road H and Road L in Grant County and all area south and east of the intersection of College & Kansas Streets in the corporate limits of Ulysses.

DISTRICT NO. 3 shall be composed of area south of Patterson Ave to Hwy 160 and from County Road I east to Ulysses City Limits in Grant County and from the West City limits of Ulysses East to College Street and south of Patterson Ave to Hwy 160 in the corporate limits of Ulysses.

DISTRICT NO. 4 shall be composed of Townships 27S and 28S, Range 32W, 33W and 34W in Haskell County, and Township 27S, Ranges 35W, 36W and 37W from Hwy 25 in Grant County and north and east of the intersection of College and Kansas in the corporate limits of Ulysses.

DISTRICT NO. 5 shall be composed of Townships 31S, 32S, 33S, 34S and 35S, ranges 35W, 36W, 37W, 38W and 39W west of County Road 13 and South of County Road P; Townships 29S (south of County Road 17) and 30S, Ranges 39W, 40W, 41W, 42W and 43W in Stanton County and all of Morton County.

DISTRICT NO. 6 shall be composed of Townships 27S and 28S, Ranges 31W and 32W east of County Road PP; Townships 29W and 30S in Haskell County; Townships 31S, 32S and 33S, Ranges 34W, 35W, 36W and 37W East of County Road 13 and North of County Road P in Stevens County, Townships 28S, 29S

and 30S, Ranges 35W, 36W and 37W south of County Road 10 and East of County Road L in Grant County and Portions of Seward County.

DISTRICT NO. 7 shall be composed of Districts 1 and 2.

DISTRICT NO. 8 shall be composed of Districts 3 and 4.

DISTRICT NO. 9 shall be composed of Districts 5 and 6.

Not less than sixty days before any meeting of the members at which trustees are to be elected, the Board of Trustees shall review the composition of the several districts and, if it should be found that inequalities in representation have developed which can be corrected by a re-delineation of districts, the Board of Trustees shall reconstitute the districts so that each of the first six shall contain as nearly as practicable the same number of members.

Section 3. ELECTION AND TENURE OF OFFICE.

The persons named as board members in the Articles of Incorporation shall compose the board until the annual meeting to be held in 1973 or until their successors shall have been elected and shall have qualified at the annual meeting of the Cooperative held in 1973, nine board members shall be elected to office by secret ballot by and from the members. Each board member shall represent one of the nine districts and shall be elected in conformance with procedures as hereinafter described except that the term of office for each will be as follows:

The board members representing Districts 5, 6, and 9 shall each be elected to serve until the annual meeting to be held in the year 1974 or until their successors shall have been elected and shall have qualified.

The board members representing Districts 1, 2, and 7 shall each be elected to serve until the annual meeting to be held in the year 1975 or until their successors shall have been elected and shall have qualified.

The board members representing Districts 3, 4, and 8 shall each be elected to serve until the annual meeting to be held in the year 1976 or until their successors shall have been elected and shall have qualified.

Beginning with the year 1974, and thereafter each year, three board members shall be elected for a three-year term to fill vacancies caused by expiration of the incumbents' term of office.

If an election of board members shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing board members within a reasonable time thereafter. Board members may be elected by a plurality vote of the members.

Section 4. QUALIFICATIONS.

No person shall be eligible to become or remain a board member of the Cooperative who:

- (a) is not a member in good standing, at least eighteen years of age and bona fide resident for a minimum of one year of the particular district served or to be served by the Cooperative, which such person is to represent. Place of residence shall be defined as where a member is registered to vote and spends most of his/her time;
- (b) is employed by or holds a material financial interest in a competing enterprise or a business directly and substantially competing with the Cooperative;
- (c) sells goods or services in substantial quantity to the Cooperative, or to a substantial number of members;
- (d) is employed by or has a material financial interest in a business or enterprise that sells goods or services in substantial quantity to the Cooperative, or to a substantial number of members;
- (e) holds office in the Cooperative for which a salary is paid;
- (f) is an employee of the Cooperative or its subsidiaries;
- (g) has an immediate family member¹ employed by the Cooperative, any of its subsidiaries, or affiliated organizations;
- (h) has been employed by the Cooperative, any of its subsidiaries, or affiliated organizations within the last 10-year period preceding the appointment or election;
- (i) cannot legally travel or be legally driven to and from official cooperative functions;
- (j) has been convicted of, is pleading to or has pled guilty or no contest to a felony or fraud charge;
- (k) is unwilling to attend regularly scheduled or special meetings of the Board of Trustees; or
- (l) has three (3) unexcused absences from regularly scheduled or special meetings of the Board of Trustees in the last twelve (12) months.

Upon establishment of the fact that a board member is holding the office in violation of any of the foregoing provisions, the board shall immediately remove such board member 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.

Section 5. NOMINATIONS.

¹ Relative is defined herein as spouse, father, mother, the same step or in-law; son, daughter and the same step or in-law; brother, sister and same step or in-law, etc.

It shall be the duty of the board to appoint, not less than forty days nor more than seventy days before the date of a meeting of the members at which board members are to be elected, a committee on nominations consisting of not less than seven members. At least two members shall be selected from each district from which a trustee is to be elected so as to insure equitable representation. No member of the board may serve on such committee. The committee, keeping in mind the principle of equitable representation, shall prepare and post at the principal office of the Cooperative at least twenty days before the meeting a list of nominations for board members which shall include at least two candidates for each board position to be filled by the election. The Secretary shall be responsible for mailing, with the notice of the meeting or separately, but at least twenty days nor more than thirty-five days before the date of the meeting, a statement of the number of board members to be elected and the names and addresses of the candidates nominated by the committee on nominations. Any fifteen or more members acting together may make other nominations by petition, and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, if any, received at least forty-five days before the meeting shall be included on the official ballot.

Section 6. REMOVAL OF BOARD MEMBER BY MEMBERS.

Any member may bring charges against a board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten percentum of the members or 300, whichever is the lesser, may request the removal of such board member by reason thereof. Such board member 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 such person shall have the same opportunity. The question of the removal of such board member 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 board members by the members, a vacancy occurring in the board shall be filled by the affirmative vote of a majority of the remaining board members for the unexpired portion of the term.

Section 8. COMPENSATION.

Board members shall not receive any salary for their service as such, except that members of the board may by resolution authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, 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 such person's close relative shall have been certified by the board as an emergency measure.

ARTICLE V - MEETINGS OF BOARD

Section 1. REGULAR MEETINGS.

A regular meeting of the board 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 shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 2. SPECIAL MEETING.

Special meetings of the board may be called by the President or by any three board members, 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 board members calling the meeting shall fix the time and place for the holding of the meeting.

Section 3. NOTICE OF BOARD MEETINGS.

Written notice of the time, place and purpose of any special meeting of the board shall be delivered to each board member either personally, by mail, facsimile transmission, e-mail, or any other means by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the board member at such person's address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

Section 4. QUORUM.

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

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 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 shall be elected by ballot, annually, by and from the board at the meeting of the board 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 following the next succeeding annual meeting of the members or until such person's successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the board for the unexpired portion of the term.

Section 3. REMOVAL OF OFFICERS AND AGENTS BY THE BOARD.

Any officer or agent elected or appointed by the board may be removed by the board whenever in its judgment the best interests of the Cooperative will be served 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 percentum of the members or 300, whichever is the lesser, 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 such person shall have the same opportunity. In the event the board does not remove such officer, the question of such person's 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, shall preside at all meetings of the members and the board;
- (b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board 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 from time to time.

Section 5. VICE PRESIDENT.

In the absence of the President, or in the event of such person's 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 restriction upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to such person by the board.

Section 6. SECRETARY.

The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all 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; and
- (f) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to such person by the board.

Section 7. TREASURER.

The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;
- (b) the receipt of and the issuance of receipts 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(s) as shall be selected in accordance with the provisions of these Bylaws; and
- (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to such person by the board.

Section 8. DELEGATION OF SECRETARY'S AND TREASURER'S RESPONSIBILITIES.

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board of Trustees by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine

administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not trustees. To the extent that the board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities and authorities.

Section 9. CHIEF EXECUTIVE OFFICER.

The Board of Trustees may appoint a Chief Executive Officer (CEO), who may be, but who shall not be required to be, a member of the Cooperative. Such officer shall perform such duties as the Board of Trustees may from time to time require and shall have such authority as the Board of Trustees may from time to time vest in such person.

Section 10. 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 shall determine. The board 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 11. COMPENSATION.

The powers, duties and compensation of officers, agents and employees shall be fixed by the board subject to the provisions of these Bylaws with respect to compensation for a board member.

Section 12. REPORTS.

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. 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 OR 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, members and nonmembers alike 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, members and nonmembers alike, 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, members and nonmembers alike, 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 via individual written notice of the amount of capital so credited to such person's account. All such amounts credited to the capital account of any patron shall have the same status as though it 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. The Cooperative will separately allocate and credit on a patronage basis capital allocated and credited to the Cooperative by its affiliated G&T cooperative in connection with the furnishing of electric energy to the Cooperative.

The Board shall determine the manner and method of allocating capital credits. As reasonable and fair, the Cooperative may allocate capital credits to classes of similarly situated patrons under different manners and methods, provided the Cooperative allocates capital credits to similarly situated patrons under the same manner and method.

All other amounts received by the Cooperative shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year; (b) allocated as capital credits to members on a patronage basis; or (c) used by the Cooperative as permanent, non-allocated capital.

Notwithstanding this Article VII, in the event the Cooperative becomes a taxable entity, the amount to be credited to the capital of patrons on account of their patronage shall be no less than the greater of alternative minimum taxable income or regular taxable income resulting from their patronage as determined under Federal income tax law.

At any time prior to the Cooperative's dissolution or liquidation, the Board, in its sole discretion, may authorize the Cooperative to generally retire and pay some or all capital credits to patrons and former patrons if the Board determines that the retirement and payment will not adversely impact the Cooperative's financial condition. The Board shall determine the manner, method and timing of retiring, paying and retaining capital credits. As reasonable and fair, the Cooperative may retire and pay capital credits to classes of similarly situated patrons and former patrons under different manners, methods and timing, provided the Cooperative retires and pays capital credits to similarly situated patrons and former patrons under the same manner, method and timing. Affiliated G&T cooperative capital credit allocations will not be retired and paid in whole or in part until retired and paid by the G&T cooperative. Each patron and former patron agrees that the patron's right to capital credits vests, accrues, and becomes redeemable and payable only upon the Cooperative retiring the capital credits as provided in these bylaws, and not upon the Cooperative allocating the capital credits.

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 or property rights of members.

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, acting under policies of general application, shall determine otherwise. Also the capital credit of any patron may be applied by the Cooperative toward any bad debts which are owed the Cooperative by said patron.

Notwithstanding any other provision of these bylaws, the Board, at its discretion, shall have the power at any time upon the death of any natural person patron, if the legal representatives of his or her 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 specially retire capital credited to any such natural person patron immediately upon such terms and conditions as the Board, 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. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Notwithstanding any other provisions of these bylaws, this Cooperative shall have a first lien on all share certificates, certificates of indebtedness, patronage dividends and capital credited to the account of each patron to secure any and all claims and accounts said patron may owe to the Cooperative. Whenever the board of trustees, in its judgment, determines that the indebtedness owed to the Cooperative by any such patron is not collectible, and that it is otherwise in the best interests of the Cooperative, the Cooperative shall have the right to recoup, offset or setoff against any such claim owed by the patron or former patron, any amount the Cooperative may owe to such patron.

ARTICLE VIII - DISPOSITION OF PROPERTY

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two thirds of all of 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 the meeting; provided, however, that notwithstanding anything herein contained, the board 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 shall determine, to secure any indebtedness of the Cooperative; provided further that the board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or foreign corporation doing business in this state pursuant to the Act under which this Cooperative is incorporated.

ARTICLE IX - SEAL

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

ARTICLE X - FINANCIAL TRANSACTIONS

Section 1. CONTRACTS.

Except as otherwise provided in these Bylaws, the board 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 and/or countersigned by such officers 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.

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 may select.

Section 4. 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 XI — MISCELLANEOUS

Section 1. MEMBERSHIP IN OTHER ORGANIZATIONS.

The Cooperative may purchase stock in any other organization, so long as the purchase of said stock does not affect a substantial portion of the assets of the Cooperative, subject to state and federal rules and regulations.

Section 2. WAIVER OF NOTICE.

Any member or board member may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in case a member or board member 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 shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the 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 shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the administrator of the Rural Utilities Service of the United States of America. The board shall also, annually, cause to be made by a certified public accountant a full and complete 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. AREA COVERAGE.

The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who:

- (a) desire such service, and
- (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

Section 6. INDEMNIFICATION OF TRUSTEES, OFFICERS, AND EMPLOYEES.

Each person who is or was a trustee, officer or employee of the Cooperative or is or was serving at the request of the Cooperative as trustee, officer, or employee of another corporation (including the heirs, executors, administrators or estate of such person) shall be indemnified by the Cooperative as of right to the full extent permitted or authorized by the laws of the State of Kansas, as now in effect and as hereafter amended, against any liability, judgment, fine, amount paid in settlement, cost and expense (including attorney's fees) asserted or threatened against and incurred by such person in such person's capacity as or arising out of such person's status as a trustee, officer or employee of the Cooperative, or if serving at the request of the Cooperative as a trustee, officer or employee of another corporation.

The indemnification provided by this Bylaw's provision shall not be exclusive of any other rights to which those indemnified may be entitled under any agreement, vote of members or disinterested trustees or

otherwise, and shall not limit in any way any right the Cooperative may have to make different or further indemnifications with respect to the same or different persons or classes of persons.

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.

Cooperative Principles

- 1. Voluntary and Open Membership** — Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
- 2. Democratic Member Control** — Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.
- 3. Members' Economic Participation** — Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- 4. Autonomy and Independence** — Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- 5. Education, Training, and Information** — Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.
- 6. Cooperation Among Cooperatives** — Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
- 7. Concern for Community** — While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.