THE TWIN VALLEY ELECTRIC COOPERATIVE, INC.
BYLAWS
OF
THE TWIN VALLEY ELECTRIC COOPERATIVE, INC.

ARTICLE I
MEMBERSHIP

SECTION 1.01 ELIGIBILITY. Any person, firm, association, corporation, or body politic will become a member of the Twin Valley Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric service or other services furnished from the Cooperative when made available to the party, provided that he, she or it has first:
(a) made a written application for membership on forms provided by the Cooperative;
(b) agreed to purchase electric energy or other services furnished by the Cooperative;
(c) agreed to comply with and be bound by the Articles of Incorporation, Bylaws and any Rules and Regulations adopted by the Board of Directors (hereinafter called the "Board"); and
(d) paid the membership fee.

No individual may hold more than one membership. No membership is transferable, except on the books of the Cooperative and as provided for in these Bylaws.

SECTION 1.02 NO CERTIFICATES. No membership certificates shall be issued. The Cooperative shall maintain membership records at its principal office.

SECTION 1.03 MEMBERSHIP FEES. The membership fee shall be set by the Board.

SECTION 1.04 MEMBERSHIP DEFINITIONS. Memberships in the Cooperative are extended to individual or joint members (natural or corporate) who meet the requirements of Section 1.01.

The term "member" as used in these Bylaws shall refer to an individual or 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. The effect of the following actions by the holders of a joint membership shall be as follows:
(a) the presence at a meeting of any party of a joint membership shall be regarded as the presence of the member and shall constitute a joint waiver of notice of the meeting;
(b) the vote of any party to the membership shall constitute one joint vote;
(c) a waiver of notice signed by any party shall constitute a joint waiver;
(d) notice to any party shall constitute notice to all;
(e) expulsion of any party to a joint membership shall terminate the joint membership;
(f) no more than one party to a joint membership may be elected or appointed as an officer or board member if individually qualified.

SECTION 1.05 CONVERSION OF MEMBERSHIP. A membership may be converted to a joint membership upon the written request of the member and the agreement of all parties to be added to comply with the articles of incorporation, bylaws and rules and regulations adopted by the Cooperative.

Upon the death of a party to a joint membership, the membership shall be held by the remaining parties. The estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 1.06 PURCHASE OF ELECTRIC SERVICE. Electric service purchased for use on the premises specified in the membership application shall be purchased from the cooperative except as modified by law. Member will begin purchasing electric service as soon as electric service is available at rates and on terms, which shall be fixed by the Board. Production or use of electric energy by facilities, which are interconnected with cooperative facilities, shall be subject to regulation by the cooperative.
It is expressly understood that amounts paid for electric service in excess of the cost of service are furnished by members as capital. Each member account shall be credited with the capital so furnished as provided in these Bylaws.

SECTION 1.07 TERMINATION OF MEMBERSHIP. Any member may withdraw from membership.
The Board may expel a member who fails to comply with the Articles of Incorporation, Bylaws or Rules and Regulations by an affirmative vote of two-thirds (2/3) of all members of the Board. The member shall be given written notice of the failure and such failure shall have continued for at least ten (10) days after the notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.
A membership shall terminate upon the withdrawal, death, and cessation of existence or expulsion of the member. Membership termination shall not release a member or its estate from any debt due the Cooperative.
In case of withdrawal or termination of membership, the Cooperative shall return the membership fee, after deducting any debts or obligations owed to the Cooperative.

SECTION 1.08 MEMBERSHIP REQUIRED. Membership in the Cooperative is required to receive electric service from the Cooperative. If a patron receives electric service from the Cooperative without becoming a member, the Board may furnish the patron with a membership retroactive to the date such service was first furnished and the books and records of the Cooperative, to the extent practicable, shall be revised to reflect such membership.

SECTION 1.09 TERMINATION OF MEMBERSHIP. Membership shall be terminated whenever the member is no longer purchasing electric service or other services from the cooperative.

SECTION 1.10 SUSPENSION AND REINSTATEMENT OF MEMBERSHIP. Memberships will automatically be suspended upon the failure to pay, after proper notice, amounts due the cooperative or violation of the cooperative Bylaws or the Rules and Regulations adopted by the Board. A suspended member may not vote at any meeting of members. Payment of all amounts due the cooperative, including any additional charges required for such reinstatement, and/or the cure of any breach of membership obligations or violations of Rules and Regulations shall automatically reinstate the membership.

ARTICLE II
RIGHTS AND LIABILITIES OF MEMBERS
SECTION 2.01 PROPERTY INTEREST OF MEMBERS. Upon dissolution, after (a) all debts of Cooperative have been paid, and (b) all membership fees shall have been repaid; the remaining property and assets of Cooperative shall be distributed among the members and former members of the Cooperative as specified herein and as otherwise provided by law.

SECTION 2.02 NON-LIABILITY FOR DEBTS OF COOPERATIVE. The private property of the members shall be exempt from execution or other liability for the debts of Cooperative and no member shall be personally liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III
MEETINGS OF MEMBERS
SECTION 3.01 ANNUAL MEETING. The Annual Meeting of the Members shall be held each year on a date set by the Board at such a place in the County of Labette, State of Kansas as shall be designated in the notice of the meeting, for the purpose of electing Directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If the election of Directors is not held on the date designated for the Annual Meeting or at any adjournment thereof, the Board shall cause the
election to be held at a special meeting of the members. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02 SPECIAL MEETINGS. Special Meetings may be called by resolution of the Board, by the President, by written request of three or more board members, or by petition signed by not less than ten percent of the members. It shall be the duty of the Secretary to cause notice of the meeting to be given as specified in section 3.03. Special Meetings of the members may be held at any place within the County of Labette, State of Kansas as specified in the notice of the Special Meeting.

SECTION 3.03 NOTICE OF MEMBERS' MEETING. Written notice of membership meetings stating the date, time, location and purpose or purposes for which the meeting is called shall be given to each member not less than ten days nor more than thirty-five days before the date of the meeting, either personally or by mail. If mailed, such notice shall be deemed to be given when deposited in the United States Mail, with postage prepaid, addressed to the member at his or her address as it appears on the records of the Cooperative. The incidental or unintended failure of any member to receive notice of an Annual or Special Meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

(K.S.A. 17-4610 (b))

SECTION 3.04 QUORUM. Business may not be transacted at any meeting of the members unless there are present in person, at least fifty (50) members; provided, however, if less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date without further notice.

SECTION 3.05 VOTING. Each member shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of members. The representative of a corporate member shall be permitted to vote upon presenting to the Secretary satisfactory credentials and authority to vote on behalf of such member. All issues shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws. If in the election of Directors there is a tie, such tie may be resolved by means of coin flip or in such other manner as may be directed by the Board.

SECTION 3.06 MAIL BALLOT. Issues may be presented to members by means of written ballot forwarded to members and returned to the Cooperative by mail. The Board shall determine which issues are decided by a mail ballot and what terms and conditions will regulate its use.

SECTION 3.07 ORDER OF BUSINESS. Except as otherwise provided in these Bylaws, the Order of Business at the annual meeting, Board meetings, or member meetings shall be determined by the Board prior to or at the beginning of the respective meeting.

ARTICLE IV
BOARD OF DIRECTORS

SECTION 4.01 GENERAL POWERS. The business and affairs of the Cooperative shall be directed by the Board of nine (9) Directors, which shall exercise all the powers of the Cooperative, except those that are by law, the Articles of Incorporation, or these Bylaws, conferred upon or reserved to the members. For purposes of these Bylaws, reference to a "Director" or the "Directors" shall be deemed to be references to "Trustee" or "Trustees", as the case may be, within the meaning of K.S.A. 17-4612 of the Kansas Electric Cooperative Act.

SECTION 4.02 ELECTION AND TENURE OF OFFICE. One director shall be elected from each district described in section 4.04 each year for a term of three years as terms of office expire or until successors shall have been elected and qualified. If the election of Directors is not held at the Annual Meeting, or any adjournment thereof, the Board of Directors shall cause the election to be held at a Special Meeting of the members as soon thereafter as
conveniently possible. Directors shall be elected by majority vote of the members present and voting.

SECTION 4.03 QUALIFICATIONS TO BE NOMINATED, ELECTED AND REMAIN A DIRECTOR. Any member shall be eligible to be nominated, elected and remain a Director of Cooperative who:

(a) is a member and bona fide resident in the particular district, which the member is to represent;
(b) is not a present employee of the Cooperative or former employee of the Cooperative (except for former employees who ceased working for the Cooperative at least 3 years prior to the date of election) or in any way financially interested in a competing enterprise or a business engaged in selling energy, energy services or energy supplies or maintaining energy producing or selling facilities. However, the Board may grant exceptions for "de minimus" competing enterprises.
(c) is not a close relative to an incumbent Director or an employee of the Cooperative. The term "close relative" means the relationship of father, mother, brother, sister, son and daughter or is the spouse of such individual.
(d) was not, either prior to or while a Director convicted of a state or federal felony. Convicted shall be defined as both being convicted or entering into a diversion agreement on a felony charge. A felony expungement shall still be considered a conviction.

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

Nothing contained in this section shall affect the validity of any action taken at any meeting of the board.

SECTION 4.04 DISTRICTS. The Cooperative, for purposes of Director elections, shall be divided into three Districts. The districts shall be described as follows:

DISTRICT ONE shall consist of the area served by the Cooperative in Neosho County and the Labette County Townships of Osage, Walton, North and Neosho.

DISTRICT TWO shall consist of the area served by the Cooperative in Montgomery County and the Labette County Townships of Canada, Howard, Mound Valley, Mt. Pleasant, and Labette.

DISTRICT THREE shall consist of the area served by the Cooperative in Cherokee County and the Labette County Townships of Elm Grove, Fairview, Hackberry, Liberty, Montana, Oswego and Richland.

SECTION 4.05 NOMINATIONS OF DIRECTORS. The Board shall appoint a nominating committee not less than 30 days nor more than 90 days before any meeting of members at which directors are to be elected. The committee shall consist of not less than five nor more than thirteen members who shall be selected from different areas of the cooperative. No member of the board may serve on this committee.

The nominating committee shall prepare and post a list of nominations for directors at the office of the Cooperative at least 20 days before the meeting. The Secretary shall mail a statement of the number of directors to be elected and the names and addresses of the candidates nominated by the committee at least ten days before the date of the meeting. Nominations may be made from the floor at any meeting of the members at which Directors are to be elected. No member may nominate more than one candidate.

Fifteen or more members acting together may make other nominations by petition. The Secretary shall post the nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, which are received at least five days before the meeting, shall be included on the official ballot. Later nominations by petition shall be treated as nominations from the floor.

Failure to comply with the provisions of this section shall not affect the validity of any election of directors.
SECTION 4.06 REMOVAL OF DIRECTORS BY MEMBERS AND RESIGNATIONS.
Members may request the removal of a Director by filing a petition stating the reasons and signed by at least ten percent (10%) of the members. The Petition shall also designate no more than three members to act as spokespersons for those signing the Petition. Only one Director shall be designated on any one Petition for removal, but more than one Petition may be submitted to the Board of Directors and determined at the same meeting of members. The submission of a valid Petition shall be treated as requiring a Special Meeting of the members pursuant to Section 3 of these Bylaws. The director shall be given written notice of the reasons listed on the Petition at least ten days prior to the meeting of the members at which the removal is to be considered and shall have an opportunity at the meeting to be heard in person or by counsel; and the spokespersons designated on the Petition shall have the same opportunity. The question of removal of such Director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

A Director may resign at any time by written notice delivered to the Board of Directors, President, or Secretary of the Cooperative. A resignation is effective when the notice is delivered unless it specifies a future date.

SECTION 4.07 VACANCIES. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of Directors by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining Directors until the next meeting of members at which directors are to be elected.

SECTION 4.08 COMPENSATION.
Trustees shall not receive any salaries for their services as trustees and except in emergencies, shall not be employed by the cooperative in any capacity involving compensation without the approval of the members. Board members may receive a fixed fee and expenses of attendance may be allowed to each trustee for attendance at each meeting of the board of trustees and for other functions duly authorized for and on behalf of the cooperative.

(K.S.A. 17-4612)

ARTICLE V MEETINGS OF THE BOARD

SECTION 5.01 REGULAR MEETINGS. A regular meeting of the Board may be held without notice immediately after the adjournment of the Annual Meeting of the members or as soon thereafter as is convenient at such site as designated by the Board. A regular meeting of the Board of Directors shall also be held periodically, but not less than once every two months at such time and place as the Board may provide by resolution. Such regular meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 5.02 SPECIAL MEETING. Special meetings of the Board may be called by the President or by any three Directors and it shall be the duty of the Secretary to cause notice of such meeting to be given as provided in section 5.03. The President or the Directors calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 5.03 NOTICE OF MEETING. The Secretary shall cause written notice of the time, place and purpose of any special meeting of the Board to be delivered to each Director not less than three (3) days prior to the meeting, either personally or by mail. Upon a default in duty of the Secretary, the President or the Directors calling the meeting shall cause notice to be given. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at the address as it appears on the records of the Cooperative, with postage prepaid.

SECTION 5.04 QUORUM. A majority of the Board shall constitute a quorum. If less than a majority of the Directors are present at a meeting, a majority of the Directors present may adjourn the meeting from time to time and the Secretary shall notify any absent Directors of
the time and place of such adjourned meeting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the board.

SECTION 5.05 UNANIMOUS CONSENT IN WRITING. To the extent not prohibited by law, Board action may be taken without a meeting and without a vote if unanimous consent of the Board is obtained in writing setting forth the action to be taken in detail, and the document is signed by all Board members entitled to vote.

SECTION 5.06 TELEPHONE BOARD MEETINGS. Directors may participate in and hold a meeting of the Board by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other. Participation in a meeting in this manner shall constitute presence in person at such meeting. Board meetings conducted in this way are subject to all requirements for notices of meetings.

ARTICLE VI
OFFICERS

SECTION 6.01 NUMBER. The officers of the Cooperative shall be President, Vice-President, Secretary, Treasurer, and such other officers as may be determined by the Board. The offices of Secretary and Treasurer may be held by the same person.

SECTION 6.02 ELECTION AND TERM OF OFFICE. The officers shall be elected by secret ballot, annually and without prior nomination, at the first meeting of the Board following the Annual meeting of the members. Each officer shall hold office until the first meeting of the Board following the next succeeding Annual Meeting of the members or until his or her successor has been elected and qualified. Except as otherwise provided in these Bylaws, the vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 6.03 REMOVAL OF OFFICERS AND AGENTS BY DIRECTORS. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of Cooperative will be served. Members may request the removal of an Officer by filing with the Secretary, a petition stating the reasons and signed by at least ten percent (10%) of the members. The officer shall be given written notice of the reasons at least ten days prior to the Board Meeting at which the removal is to be considered and shall have an opportunity at the meeting to be heard in person or by counsel. The person requesting the removal shall have the same opportunity. In the event the Board does not remove the officer, the question of his/her removal shall be considered and voted upon at the next meeting of the members.

SECTION 6.04 PRESIDENT. The President shall:
(a) shall preside at or designate another individual to preside at any meetings of the members and the Board;
(b) sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board, except in cases in which the signing and execution shall be expressly delegated by the Board, these Bylaws or by law to some other officer or agent; and
(c) in general perform all duties incident to the office of President and other such duties prescribed by the Board.

SECTION 6.05 VICE-PRESIDENT. The Vice-President shall perform the duties of the President in his/her absence, or in the event of his/her inability or refusal to act, and when so acting, shall have all of the powers of and be subject to all the restrictions upon the President. The Vice-President shall also perform such other duties as may be assigned by the board.

SECTION 6.06 SECRETARY. The Secretary shall be responsible for:
(a) preparing the minutes of the meetings of the members and of the Board;
(b) authenticating the cooperative’s records;
(c) affixing the seal of the Cooperative to all appropriate documents;
(d) in general perform all duties incident to the office of Secretary and such other duties as may be assigned by the Board.

SECTION 6.07 TREASURER. The Treasurer shall be responsible for:
(a) the general performance of all the duties incident to the office of Treasurer and such other
duties as may be assigned by the Board.
SECTION 6.08 GENERAL MANAGER. The General Manager shall:
(a) be the chief executive officer responsible for the general direction, coordination and
control of all operations in accordance with the policies adopted by the Board, subject to the
direction of the Board;
(b) be responsible for the day to day activities of the Cooperative, and in performing this
duty, carry out and administer the policies adopted by the Board;
(c) prepare for the Board such reports and budgets as are necessary to inform the Board
concerning the operation of Cooperative; and
(d) in general perform all duties incident to the office of General Manager as chief executive
officer and perform such other duties as may be assigned by the Board.
SECTION 6.09 BONDS. At the cooperative’s expense, the cooperative may purchase a bond
covering various cooperative officials.
SECTION 6.10 COMPENSATION. The powers, duties and compensation of officers, agents
and employees shall be fixed by the Board, subject to the provisions of these Bylaws.
SECTION 6.11 REPORTS. The officers of the cooperative may submit at each Annual
meeting of the members reports covering the business of the Cooperative for the previous
fiscal year.

ARTICLE VII
INDEMNIFICATION OF OFFICERS,
BOARD MEMBERS, EMPLOYEES AND AGENTS
SECTION 7.01 SCOPE OF INDEMNIFICATION. The Cooperative shall indemnify any
person who was or is a party, or is threatened to be made a party to any threatened, pending,
or completed action, suit or proceeding, whether civil, criminal, administrative or
investigative (other than an action by, or in the right of the Cooperative) by reason of the fact
that such person is or was a Board member, officer, employee or agent of Cooperative or who
is or was serving at the request of the Cooperative as a Board member, officer, employee or
agent of another cooperative, association, corporation, partnership, joint venture, trust or
other enterprise, against expenses (including attorney’s fees) adjustments, fines, and
amounts paid in settlement actually and reasonably incurred by such person in connection
with such action, suite or proceeding; provided such person acted in good faith and in a
manner such person reasonably believed to be in, or not opposed to, the best interests of the
Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause
to believe the conduct of such person was unlawful. The termination of any action, suit or
proceeding by judgment, order, settlement, conviction, or upon pleas of nolo contendere or its
equivalent, shall not, of itself, create a presumption that the person did not act in good faith
and in a manner which such person reasonably believed to be in, or not opposed to, the best
interests of the Cooperative, and, with respect to any criminal action or proceeding, had
reasonable excuse to believe that the conduct of such person was not unlawful.
SECTION 7.02 INDEMNIFICATION FOR GOOD FAITH ACTION. The Cooperative shall
indemnify any person who was or is a party, or is threatened to be made a party to, any
threatened, pending or completed action, or suit by, the Cooperative to procure a judgment in
its favor by reason of the fact that such person is, or was, a Board member, officer, employee
or agent of the Cooperative or is, or was, serving at the request of the Cooperative as a Board
member, officer, employee or agent of another cooperative, association, corporation,
partnership, joint venture, trust or other enterprise, against expenses (including attorney’s
fees) actually and reasonably incurred by such person in connection with defense or
settlement of such action or suit, if such person acted in good faith, and in a manner such
person reasonably believed to be in or not opposed to the best interests of the Cooperative.
No indemnification shall be made in respect of any claim, issue or matter as to which such
person shall have been adjudged to be liable for negligence or misconduct in the performance
of the duty of such person to the Cooperative, unless, and only to the extent that the court in
which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity of such expenses as the court shall deem proper.

SECTION 7.03 COST OF DEFENSE INDEMNIFIED. To the extent that a Board member, officer, employee or agent of the Cooperative has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referring to in Sections 7.01 and 7.02, in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by such person in connection therein.

SECTION 7.04 AMOUNT OF INDEMNIFICATION. Any indemnification under Sections 7.01 and 7.02 (unless ordered by a Court) shall be made by the Cooperative only as authorized in the specific case, upon determination that indemnification of the Board member, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 7.01 and 7.02. Such determination shall be made:

(a) by the Board, by a majority vote of a quorum consisting of Board members who were not parties to such action, suit or proceedings; or

(b) if such a quorum is not obtainable, or even if obtainable, if a quorum of disinterested Board members so direct, by independent legal counsel in a written opinion; or

(c) by the members.

SECTION 7.05 EXPENSES ADVANCED. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding, as authorized by the Board in the specific case, upon receipt of a firm commitment by or on behalf of the Board member, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the Cooperative as authorized in the Article.

SECTION 7.06 RIGHTS OF PERSONS INDEMNIFIED. The indemnification provided by this article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of members or disinterested Board members, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Board member, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

SECTION 7.07 INSURANCE COVERAGE. The Cooperative may purchase and maintain insurance on behalf of any person who is or was a Board member, officer, employee or agent of the Cooperative, or is, or was serving at the request of the Cooperative as a Board member, officer, employee or agent of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against liability asserted against such person and incurred by such person in any capacity, or arising out of the status of such person as such, whether or not the Cooperative would have the power to indemnify such person against any liability under the provisions of this article.

ARTICLE VIII
NON-PROFIT OPERATION

SECTION 8.01 INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED. The Cooperative shall be operated on a cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by Cooperative on any capital furnished by its members.

SECTION 8.02 PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC SERVICE. The Cooperative's operation shall be conducted so that all patrons will furnish capital for the Cooperative through their patronage. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the
Cooperative shall account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric service in excess of the sum of (a) operating costs and expenses properly chargeable against the furnishing of electrical service, and (b) amounts required to offset any losses incurred during the current or any prior fiscal year. All amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay credits to a capital account for each patron all such amounts in excess of operating costs and expenses: PROVIDED, however, that such allocations shall not be made to any entity until it has become a member of the Cooperative. If such entity does not become a member of the cooperative within one year after the amount of its allocated share or accumulated allocated shares equal the membership fee, or if no membership is acquired, within two years after the declaration of any such patronage dividend, it shall cease to be entitled to such shares.

The books of the Cooperative shall clearly reflect the amount of capital, if any, credited to each patron’s account. The Cooperative shall notify each patron of the amount of capital credited to their account at the end of each fiscal year; PROVIDED, that individual notices shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine the specific amount of capital credited to their account. All amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

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

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative has been paid, outstanding capital credits shall be returned without priority on a pro rata basis before any payments are made on account of property rights of members. Gains realized from the sale of appreciated assets at the time of liquidation shall be distributed to patrons during the preceding seven year period in proportion to the patronage for that period before any payments are made on account of property rights of members.

The Board may retire capital credited to patrons accounts in full or in part at any time that it is determined that the financial condition of the Cooperative is not impaired. Capital credited to member accounts shall be assignable only on the books of the Cooperative, pursuant to written instructions from the assignor and only to successors in interest. No assignment may be made to a non-member unless required by law.

The Board, at its discretion and subject to policies of general application, shall have the power to retire the capital credits of a deceased patron prior to the time the capital would otherwise be retired under the provisions of these By-laws: Provided that the patron was a natural person; that a legal representative of the patrons estate has requested the retirement in writing; and the financial condition of the Cooperative will not be impaired. Further, the Board at its discretion, and subject to policies of general application, shall have the power to retire capital credits to a patron prior to the time the capital would otherwise be retired for other reasons deemed valid by the Board, including age of the patron.

Any retirement of capital authorized by the Board for any patron which is earlier than would normally be the case under the then existing policies of the Cooperative, may be discounted by an appropriate factor to reflect the present value of the early capital retirement and the fact that such capital credits are being retired in advance of other patrons who are similarly situated.
The Cooperative shall deduct any amount owed the cooperative (including interest at the Kansas legal rate in effect when such amount first became overdue, compounded annually), before retiring any capital credited to any patron's account.

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 Cooperative and each patron, and both the Cooperative and the patron are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's offices.

SECTION 8.03 PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING OTHER SERVICES. In the event that Cooperative should engage in the business of furnishing goods or services other than energy and related services, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be treated as non-operating income.

ARTICLE IX
CONSOLIDATION, MERGER, AND DISSOLUTION:

SECTION 9.01 CONSOLIDATION. The Cooperative may consolidate with any other cooperative or cooperatives as provided under Kansas law.

SECTION 9.02 MERGER. The Cooperative may merge with any other cooperative or cooperatives as provided under Kansas law.

SECTION 9.03 DISSOLUTION. The Cooperative may be dissolved as provided under Kansas law. Upon the Cooperative’s dissolution any assets remaining after all of the Cooperative’s liabilities and obligations, including outstanding capital credits, have been satisfied or discharged or a plan therefore appropriately established, shall be distributed in accordance with the provisions of these Bylaws and applicable laws.

ARTICLE X
SEAL

SECTION 10.01 SEAL. The corporate seal of the Cooperative shall have inscribed thereon the name of Cooperative and the words: “Corporate Seal, Kansas”.

ARTICLE XI
FINANCIAL TRANSACTIONS

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

SECTION 11.02 CHECKS, DRAFTS & ETC. All checks, drafts, or other orders for the payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officers, agents, or employees of the Cooperative and in such manner as shall be determined by resolution of the Board.

SECTION 11.03 DEPOSITS. All funds of the Cooperative, exclusive of petty cash, shall be deposited to the credit of the Cooperative in such banks and other financial institutions as the Board may select.

ARTICLE XII
MISCELLANEOUS

SECTION 12.01 MEMBERSHIP IN OTHER ORGANIZATIONS. The Cooperative may become a member or purchase stock in other profit or nonprofit organizations, associations, partnerships or joint ventures when the Board finds that the general and long-term interests of the membership will be served by such investments or participation.

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

SECTION 12.03 POLICIES, RULES AND REGULATIONS. The board shall have power to make and adopt policies, rules, regulations, and rates consistent 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 12.04 RULES OF ORDER. Parliamentary procedure at all meetings of members, of the board, of any committee provided for in these Bylaws and of any other committee shall be governed by Robert’s Rules of Order, except to the extent such procedure is not otherwise determined by law or by the Cooperative’s Articles of Incorporation or Bylaws.

SECTION 12.05 ACCOUNTING SYSTEM AND REPORTS. The Board shall cause to be established and maintained a complete accounting system in conformance with Generally Accepted Accounting Principles (GAAP) and the Administrator of the Rural Utility Service of the United States of America or other regulatory authority. The Board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year.

ARTICLE XIII
AMENDMENTS

SECTION 13.01 AMENDMENTS OF BY-LAWS. These Bylaws may be altered, amended or repealed by the members at any regular or special meeting by the affirmative vote of a majority of those members voting thereon, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.