

Bylaws

The Victory Electric Cooperative Assn., Inc.

As Amended April 15, 2014

ARTICLE I MEMBERSHIP

SECTION 1

Requirements for Membership

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

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

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 Fees

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

SECTION 3

Joint Membership

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

- A. The presence at a meeting of either or both shall be regarded as the presence of one member and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- B. The vote of either separately or both jointly shall constitute one joint vote;
- C. A proxy executed by either or both shall constitute one joint proxy;
- D. A waiver of notice signed by either or both shall constitute a joint waiver;
- E. Notice to either shall constitute notice to both;
- F. Expulsion of either shall terminate the joint membership;
- G. Withdrawal of either shall terminate the joint membership;
- H. Either but not both may be elected or appointed as an officer or trustee provided that both meet the qualifications for such office.

SECTION 5

Conversion of Membership

- A. A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaw and rules and regulations adopted by the board of trustees.
- B. Upon the death of either spouse who is a party to the joint membership, such shall be held solely by the survivor, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 6

Purchase of Electric Energy

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all central station electric power and energy used on the premises specified in his application for service, and shall pay therefore at rates which shall from time to time be fixed by the board of trustees. It is expressly understood that amounts paid for electric energy in excess of the cost of service, are furnished by members as capital and each member shall be credited with the capital so furnished as provided in 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 of trustees from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

SECTION 7

Termination of Membership

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

available to him has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled.

- B. A member who has ceased to purchase electric energy from the Cooperative and who has capital credits assigned to him on the records of the Cooperative may retain his membership. The Membership shall terminate upon the refund of the balance of the member's capital credits.
- C. Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- D. In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member 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, after:

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

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

SECTION 2

Non-Liability for Debts of the Cooperative

The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III

Meetings of Members

SECTION 1

Annual Meeting

The annual meeting of the members shall be held each year, beginning with the year 1957, on such day between March first and May eleventh as may be fixed and designated by the board of trustees each year, said annual meeting to be held at such place in Dodge City in the County of Ford and State of Kansas, as shall be designated in the notice of the meeting, for the purpose of electing trustees, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the

responsibility of the board of trustees to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2

Special Meetings

Special meetings of the members may be called by resolution of the board of trustees, or upon a written request signed by any three trustees, by the President, or by ten percent or more of all members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the County of Ford, State of Kansas, specified in the notice of the special meeting.

SECTION 3

Notice of Members' Meetings

Written or printed notice stating the place, day and hour of the meetings and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than twenty 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 his 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

Fifty (50) members, present in person, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

SECTION 5

Voting

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

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

SECTION 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 as to the number of members present in person to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver 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 trustees.
6. Unfinished business.
7. New Business.
8. Adjournment.

ARTICLE IV

Trustees

SECTION 1

General Powers.

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

SECTION 2

Districts

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

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

SECTION 3

Election and Tenure of Office

At each annual meeting of the members, three (3) trustees shall be elected from the districts outside the district of the City of Dodge City to fill vacancies caused by the expiration of the incumbents' term of office within such districts. One (1) trustee shall be elected at each annual meeting to fill a vacancy caused by the expiration of the incumbent's term of office within the district of the City of Dodge City.

expiration of the incumbent's term of office within the district of the City of Dodge City.

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

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

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

SECTION 4

Qualifications

A) General trustee qualifications.

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

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

B) Qualifications based on trustee's membership.

To become and remain a trustee, a person must comply with the following membership qualifications.

While a trustee and during the one year immediately prior to becoming a trustee:

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

C) Independence qualifications.

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

1. While a trustee and during the three years immediately before becoming a trustee, not be an employee of the cooperative or of another electric cooperative or entity in which the cooperative is a member or an owner.

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

D) Trustee disqualification

If at any time during the trustee’s service a trustee does not comply with all of the above qualifications, then, except as otherwise provided by board for good cause, the board shall disqualify the trustee and the trustee is no longer a trustee if:

1. The board notifies the trustee in writing of the basis for, and provides the trustee the opportunity to reply to the board’s proposed disqualification and
2. Within 60 days after the board notifies the trustee, the trustee neither complies with nor meets the trustee qualification.

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

SECTION 5

Nominations

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

No member of the board of trustees shall serve on such committee. The committee shall prepare and post at the principal office of the cooperative at least sixty (60) days before the meeting a list of nominations for trustees which may include a greater number of candidates than are to be elected. Any fifteen (15) or more members residing within a district acting together may make other nominations by petition for the trustee position within that district not less than forty-five (45) days prior to the meeting, and the secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. The secretary shall be responsible for mailing with the notice of the meeting, or separately, but at least ten (10) days before the meeting, a statement of the number of trustees to be elected and the names and addresses of the candidates specifying separately the nominations made by the committee on nominations and also the nominations made by petition, if any.

SECTION 6

Removal of Trustees by Members

Any member may bring charges against a trustee and, by filing with the Secretary such charges in writing together with a petition signed by at least ten percentum of the members, may request the removal of such trustee by reason thereof. Such trustee shall be informed in writing of the charges at least thirty days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person and to present evidence, with the assistance of council in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such trustee shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

SECTION 7

Vacancies

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

SECTION 8

Compensation

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

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

ARTICLE V

Meetings of Trustees

SECTION 1

Regular Meetings

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

SECTION 2

Special Meetings

Special meetings of the board of trustees may be called by the President or by any three (3) trustees, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the trustees calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3

Notice of Trustees' Special Meetings

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

SECTION 4

Quorum

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

ARTICLE VI

Officers

SECTION 1

Number

The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the board of trustees from time to time. The offices of Secretary and Treasurer may be held by the same person.

SECTION 2

Election and Term of Office

The officers may be elected by ballot annually by and from the board of trustees at the first regular meeting of the board of trustees held following the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of trustees following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the board of trustees for the unexpired portion of the term.

SECTION 3

Removal of Officers and Agents by Trustees

Any officer or agent elected or appointed by the board of trustees may be removed by the board of trustees whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten percentum of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least thirty days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person and to present evidence with the assistance of council in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. In the event the board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

SECTION 4

President

The President shall:

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

SECTION 5

Vice President

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

SECTION 6

Secretary

The Secretary shall be responsible for:

- A. Keeping the minutes of the meetings of the members and of the board of trustees in one or more books provided for that purpose;
- B. Seeing that all notices are duly given in accordance with these bylaws or as required by law;
- C. The safekeeping of the corporate books and records, and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;

- D. Keeping a register of the names and post office addresses of all members;
- E. Keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any member upon request;
- F. In general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the board of trustees.

SECTION 7

Treasurer

The Treasurer shall be responsible for:

- A. Custody of all funds and securities of the Cooperative;
- B. The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- C. The general performance of all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned to him 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 vest in him.

SECTION 9

Bonds of Officers

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

SECTION 10

Compensation

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

SECTION 11

Reports

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

ARTICLE VII

Non-Profit Operation

SECTION 1

Interest of Dividends on Capital Prohibited

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

SECTION 2

Patronage Capital in Connection with Furnishing Electric Energy

In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure 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 capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

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

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members.

If, at any time prior to dissolution or liquidation, the board of trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron's accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.

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

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

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

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

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.

ARTICLE VIII

Disposition of Property

SECTION 1

Mortgages and Deeds of Trust

The board of trustees shall have full power and authority, without authorization by the members thereof, to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust of, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board of trustees shall determine, to secure any indebtedness of the Cooperative.

SECTION 2

Other Dispositions

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

ARTICLE IX

Seal

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

ARTICLE X

Financial Transactions

SECTION 1

Contracts

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

SECTION 2

Checks, Drafts, Etc

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

SECTION 3

Deposits

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

SECTION 4

Change in Rates

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

SECTION 5

Fiscal Year

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

SECTION 2

Waiver of Notice

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

SECTION 3

Policies, Rules and Regulations

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

SECTION 4

Accounting System and Reports

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

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.

