

BYLAWS  
LYON-COFFEY ELECTRIC COOPERATIVE, INC.

(Adopted as part of the Consolidation Agreement dated January 27, 1988, between Lyon County Electric Cooperative, Inc. and Coffey County Rural Electric Cooperative Association, Inc. as revised March 20, 2017.)

ARTICLE I

MEMBERSHIP

SECTION 1. Requirements for Membership Subject to Section 11 of this Article, any person, firm, association corporation, or body politic or subdivision thereof will become a member of the service from the Cooperative, provided that he, she or it has first:

- (A) made a written application from membership there in on such form as is provided by the Cooperative;
- (B) agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (C) agreed to comply with and be bound by the articles of consolidation and bylaws of the Cooperative and any rules and regulations adopted by the board and
- (D) paid the membership fee hereinafter specified.

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 membership document which shall be in such form and shall contain such provisions as shall be determined by the board. Subject to Section 11 of this Article, no membership certificate shall be issued for the less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for.

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 the 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 related 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) presence at a meeting of either or both shall be regarded as the presence of one 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 as his or her spouse to comply with the articles of consolidation, bylaws and rules and regulations adopted by the board.
- (B) Upon death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The state of the deceased shall not be released from any debts due the Cooperative.

SECTION 5. Membership Fees The membership fee shall be fixed by the board from time to time, upon the payment of which a member shall be eligible for one service connection.

SECTION 6. Purchase of Electric Energy Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in the member's application for membership, and therefore shall pay at rates, which shall from time to time be fixed by the board. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. 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 electric energy consumed, as shall be fixed by the board from time to time. Each member shall also pay all amounts owed by the member 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 may prescribe. The board may be 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 consolidation 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 the member liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by special meeting. The membership of a member who for a period of six (6) months after service is available to the member, has not purchased electric energy from the Cooperative, or of a member purchased 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 the member's estate from any debts due the Cooperative.

(C) 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 the member, 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.

SECTION 8. Membership Required Subject to applicable law, membership in the Cooperative is required in order to receive electric service from the Cooperative. In the event, any patron receives electric service from the Cooperative without being a member, at the discretion of the board, the Cooperative may furnish such patron with a membership retroactive to the date such service was first furnished or to any other date selected by the board and the books and records of the Cooperative, to the extent practicable, shall be revised to reflect such membership.

SECTION 9. Inactive Membership An inactive membership shall not have voting rights, shall not have the right to act for purposes of a meeting of members nor to act at a meeting of members, and shall not have the right to act in regard to officers or board members nor shall the holder of such membership purchasing electric energy from the Cooperative.

SECTION 10. Suspension and Reinstatement of Membership Upon a member's failure, after the expiration of a time limit prescribed either in a specific notice to the member or in the Cooperative's rules and regulations, to pay any amounts due to the Cooperative or to cease any other noncompliance with membership obligation, that member's membership shall automatically be suspended and, during such suspension, the member shall not be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of members. Payment of all amounts due to the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with membership obligations within the time limit provided in such notice or in such rules and regulations, shall automatically reinstate the membership, and the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at meetings of members.

SECTION 11. Consolidated Memberships Effective upon the consolidation of the Lyon County Electric Cooperative, Inc. and the Coffey County Rural Electric Cooperative Association, Inc., all members of either such cooperatives, including active, inactive, and suspended memberships, shall ipso facto become members of the Cooperative. The books and records of the Cooperative shall show each such member, the status of each such member, and the amount paid for membership by each such member.

## ARTICLE II

### RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members Upon dissolution, after all debts and liabilities of the Cooperative shall have been paid and all capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the seven (7) years 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 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 between January 15 and April 15 of each year on such date and 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, 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 of or dissolution of the Cooperative.

SECTION 2. Special Meetings Special meetings of the members may be called by resolution of the board, by a written request signed by any three (3) board members, by the President, or ten per centum (10%) 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 no less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage 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 (500), ten per centum (10%) of the total number of members present in person or by proxy to the spouse of the member (as provided in the last sentence of Section 6 of this Article) shall constitute a quorum for the transaction of business except as otherwise provided in these bylaws. In case the total number of members shall exceed five hundred (500), fifty (50) members present in person or by proxy to the spouse of the member (as provided in the last sentence of Section 6 of this Article) shall constitute a quorum except as otherwise provided in these bylaws. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting without further notice.

SECTION 5. Voting Each member shall be entitled to only one vote as to each matter submitted to a vote at meeting of the members. 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 consolidation or these bylaws.

SECTION 6. Proxies At all meetings of members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. No member shall vote as proxy for more than three (3) members at any meeting of the members. No proxy shall be valid after sixty (60) days from the date of its execution. The presence of a member at a meeting of the members shall revoke a proxy heretofore executed by the member and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if the member had not executed a proxy. In case of a joint membership, a proxy may be executed by either husband or wife. The presence of either husband or wife at a meeting of the members shall revoke a proxy theretofore executed by either of them and such joint member or members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed. Notwithstanding the foregoing provisions of the Section 6, whenever a member is absent from a meeting of the members but whose spouse attends such meeting, the

spouse shall be deemed to hold, and may exercise and vote if present in person, unless some other qualified person holds such proxy in writing.

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 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 therefore, 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) Report election results
- (6) New business.
- (7) Adjournment.

#### ARTICLE IV

#### BOARD MEMBERS

SECTION 1. General Powers As provided in the articles of consolidation, the business and affairs of the Cooperative shall be managed by the board of seven (7) members which shall exercise all of the powers of the Cooperative except such as are by law, the articles of consolidation or these bylaws conferred upon or reserved to the members.

SECTION 2. Election and Tenure of Office The election and tenure of board members is subject to special provisions in the articles of consolidation. The persons named as board members in the articles of consolidation shall compose the board until certain subsequent annual meetings and until their successors shall have been elected and shall have qualified. Certain board members shall be elected each annual meeting of members to service for three (3) year terms from districts as hereinafter provided. Such elections shall result in three (3) board members being elected for two consecutive years and two (2) board members being elected every third year. Members of the board shall serve until the annual meeting of members occurring nearest the end of their respective terms and until their respective successors have been elected and shall have qualified. Members of the board shall be elected by secret ballot for each position on the board for which there is more than one (1) nominee. Board members may be elected by a plurality vote of the members.

SECTION 3. Qualifications No person shall be eligible to become or remain a board member of the Cooperative who:

- (A) is not a member and bona fide resident of the particular district which he or she is to represent; or
- (B) is in any way employed or financially interested in a competing enterprise or a business selling electric energy, or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures, services, or supplies to the members of the Cooperative.

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 such board member from the 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 4. Voting Districts The territory served, or to be served, by the Cooperative shall be divided into 3 districts, which shall be established by the board. Two districts shall be represented by two (2) board members and one district shall be represented by three (3) board members. Not less than ninety (90) days before any election, if the board should find any inequities in representation due to the territory served, number of members, community or government organization or any other pertinent factor which could be corrected by redefinition of districts, the board shall reconstitute the districts.

SECTION 5. Nominations On or before the first day of October each year, it shall be the duty of the board to appoint a nominating committee consisting of not less than seven (7) or more than fourteen (14) members including at least two (2) members from each of the three districts to insure equitable representation. No member of the Board of Trustees may appoint more than two (2) individuals to serve on said committee and those appointee(s) must reside in the district of the board members making the appointment. No member of the Board of Trustees may serve on the committee. On or before the first day of November each year, the nominating committee shall meet and prepare a list of nominations for candidate to the board which may include more than one (1) candidate for each board position to be filled by the election. At least two (2) percent or more members, from the district in which there is an election, acting together may make a nomination by petition. Upon verification of the signatures and the minimum number has been achieved, the Secretary of the Board shall include in the posting at the same place other nominations made by the committee is posted. Nominations made by petition must be filed on or before the close of business November 30. Qualified nominations made by petition shall appear on the ballot in the order received.

SECTION 6. Election of Trustee(s) to be by Mail-in Ballot The election of Trustees shall be by mail-in ballot. Only those nominees selected by the nominating

committee or nominated by petition shall appear on the ballot. There may be write-in votes for a qualified member not named on the ballot. The ballot shall first list the name(s) nominated by the committee, then the name(s) nominated by petition in the order received and, at the end, a place to write in a name. Failure of strict compliance with the provisions of this section shall not affect the validity of any election of a Trustee.

The Secretary shall mail the ballots to the respective members on or before the 10<sup>th</sup> day of December each year. Returned and completed ballots must be postmarked or received at the primary office of the Cooperative, on or before the 1<sup>st</sup> day of January.

Each year the Board of Trustees shall at their December board meeting appoint a teller committee, whose function is to count and verify the ballots for the election of Trustees. The teller committee shall consist of not less than three (3) nor more than seven (7) members. No current board member shall serve on the teller committee. The attorney or his/her designee shall serve as the chairperson of the teller committee and shall verify the final count of the election. The teller committee shall meet before the 31<sup>st</sup> day of January each year.

The results of the election shall be published in the cooperative magazine and announced at the Annual Meeting.

The effective date for the term of the newly elected Trustees shall begin immediately after the conclusion of the cooperative's Annual Meeting.

**SECTION 7. Removal of Board by Members** Any member may bring charges against a board member for cause reasonably related to the duties of the office, and by filing with the Secretary such charges stated with specificity in writing together with a petition signed by at least ten per centum (10%) of the members of 300, whichever is the lesser, by request the removal of such board member by reason thereof. Such board member shall be informed in writing of the charges at least ten (10) 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 him or her 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 8. 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 9. Compensation** Board members shall not receive any salary for their services as such, except that the board may by resolution authorize a reasonable fixed sum for each day or portion thereof spent on Cooperative business, such as



attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the board. If authorized by the board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such as Cooperative business or granted a reasonable per diem allowance by the board in lieu of detailed accounting for some of these expenses. A board member may receive a reasonable fixed sum together with reimbursement of expense or a per diem allowance for expenses for duly authorized function as an officer of the Cooperative. No board member nor any close relative of a board member shall receive compensation for serving the Cooperative in any other capacity, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the board member or his or her 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 Meetings Special meetings of the board may be called by the President or by any three (3) 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 meetings.

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, at least three (3) days before the date of the meeting, or by mail, at least five (5) days before the date of the meeting, 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 his or her address as it appears on the records of the Cooperative, with postage thereon prepaid.

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 board members present at a meeting at which a quorum is present shall be the act of the board, except as otherwise provided by 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 secret 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 succeeding annual meeting of the members and until his or her 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 for cause reasonably related to the duties of the office, and by filing with the Secretary such charges stated with specificity in writing together with a petition signed by ten per centum (10%) of the members or 300, whichever is the lesser, by 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 (10) 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 by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him or her shall have the same opportunity. In the event the board does not remove such officer, the question of his or her removal shall be considered and voted upon at the next meeting of the members.

SECTION 4. President The President shall:

- (A) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the board, shall preside at all meetings of the board;
- (B) sign, with the Secretary, 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 his or her inability to act, the Vice President shall perform the duties of the President, and 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 him or her 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) safekeeping the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all required 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) signing, with the President, 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
- (F) keeping on file at all times a complete copy of the articles of consolidation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any member; and
- (G) in general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her 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 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 performances of all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the board.

SECTION 8. Manager The board may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform duties and shall exercise such authority as the board may from time to time vest in him or her.

SECTION 9. Bonds of Officers The Treasurer and any other officer or agent of the Cooperative chartered 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 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 with respect to compensation of a board member, an officer and for close relatives of a board member.

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

- (A) 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:
- (1) in excess of the sum of operative costs and expenses properly chargeable against the furnishing of electric energy, and
  - (2) amounts required to offset any losses incurred during the current or any prior fiscal year. 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 the patron's account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amount for the capital.

- (B) All other amount received by the Cooperative from its operations in excess of costs and expense shall, insofar as permitted by law, be:
- (1) used to offset any losses incurred during the current or any prior fiscal year, and;
  - (2) 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.
- (C) 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 or 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 shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. The board shall determine the method, basis, priority and order of retirement, if any, for all amounts therefore and hereafter furnished as capital.
- (D) 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 part of such patron's premises served by the Cooperative unless the board, acting under policies of general application, shall determine otherwise.
- (E) Notwithstanding any other provision of these bylaws, the Board of Trustees at its discretion, shall have the power to retire capital credits, however, that the financial condition of the cooperative will not be impaired.

All persons to whom capital credits have been allocated shall keep the cooperative informed of their current mailing address and the cooperative shall be obligated to pay each member or former member his share of the capital if so retired in accordance with these bylaws by either:

- (1) applying the capital credit as a credit to a current member's account; or

- (2) issuing checks and mailing same to such members and former members at their last known address as shown in the records of the cooperative; provided, however, that no check shall be issued or mailed to any member or former member whose mailed check for the previous year was returned unclaimed, unless a true and correct address is furnished the cooperative.

All amounts represented by checks which are unclaimed or uncashed at the end of three years from the date of the mailing of such checks, shall be deemed a contribution to the capital of the cooperative.

- (F) The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of consolidation 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 attentions of each patron of the Cooperative by posting a conspicuous place in the Cooperative office.

SECTION 3. Application of Patronage Capital to Debts Due Cooperative and to Membership Fees Notwithstanding any other provisions in this Article VII, at the discretion of the board, the Cooperative shall be entitled to apply the credits in the capital account of any patron to debts due the Cooperative from such patron and to the payment of a membership fee for any patron if such fee has not previously been paid.

SECTION 4. Consolidated Patronage Capital Effective upon the consolidation of the Lyon County Electric Cooperative, Inc. and the Coffey County Rural Electric Cooperative Association, Inc., all patronage capital of either of such cooperatives which has been credited to the account of a patron, or to which a patron is entitled to credit, shall ipso facto become either capital credited to the account of such patron on the books and records of the Cooperative or capital subject to allocation to such capital account, as the case may be.

## ARTICLE VIII

### DISPOSITION OF PROPERTY

SECTION 1. Restrictions of Disposition The Cooperative may not sell, lease, mortgage, encumber or otherwise dispose of all or any substantial portion of its property unless such sale, lease, mortgage, encumbrance, or other disposition is authorized at a meeting of the members thereof by the affirmative vote of, and with a quorum for purposes of such vote of, not less than a majority of all of the members of the Cooperative, unless the notice of such proposed sale, lease mortgage, encumbrance 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.

SECTION 2. Appraisal Notwithstanding any other provisions of these bylaws, no sale, lease or other disposition of all or any substantial portion of the property of the Cooperative to any other entity shall be authorized except in accordance with this section:

- (A) If the board preliminary approves any such sale, lease or other disposition, it shall cause three (3) independent appraisers, expert in such matters, to give their individual opinions as to the value to the Cooperative of such proposed sale, lease or other disposition and as to any terms and conditions in addition to value to the Cooperative of such proposed sale, lease or other disposition and as to any terms and conditions in addition to value which should be considered. Such appraisers shall be designated by a judge of the District Court in any county served by the Cooperative to be selected by the board.
- (B) After receiving such appraisals and any other terms and conditions, if the board determines that such proposal should be submitted to the members for consideration, it shall first give every Kansas electric cooperative adjacent to the Cooperative (which has not made such proposal) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperatives with a copy of such proposal and the reports of the appraisers attached inviting such cooperatives to submit competing proposals within sixty (60) days.
- (C) After giving such adjacent electric cooperatives such opportunity to submit competing proposals, the board may determine that some or all of such competing proposals should also be submitted to the members for consideration and it shall call a special meeting of the members for the purpose of considering such proposals, or the board may determine that such proposals should be considered at the next annual meeting of the members. The notice of such consideration at such special or annual meeting shall express such proposals in detail and shall be given not less than ninety (90) days nor more than one hundred five (105) days before the date of the meeting.
- (D) Upon the petition of any fifty (50) or more members to the board not less than thirty (30) days before the date of such special or annual meeting, the board, at the cost of the Cooperative, shall cause notice expressing any alternative or opposing position or proposals to be mailed to the members.

SECTION 3. Merger of Consolidation The provisions of this Article VIII shall not apply to any sale, lease or other disposition to another Kansas electric cooperative if the legal or substantive effect of such sale, lease or other disposition is a merger or consolidation pursuant to the act under which the Cooperative is incorporated.

## ARTICLE IX

### DISSOLUTION

The Cooperative may not be dissolved unless dissolution is approved at a meeting of the members thereof by the affirmative vote of, and with a quorum for purposes of such vote of, not less than a majority of all of the members of the Cooperative.

## ARTICLE X

### SEAL

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

## ARTICLE XI

### 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 office 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 selected by the board.

SECTION 4. Change in Rates Written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.



SECTION 5. Fiscal Year The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

## ARTICLE XII

### MISCELLANEOUS

SECTION 1. Membership in Other Organizations Lyon-Coffey Electric Cooperative, Inc. shall be authorized to become a member in or acquire a stock ownership in a "for-profit" entity under Kansas law for the purpose of providing additional service and otherwise furthering the benefit to the cooperative's patrons. The Cooperative may upon the authorization of the board, purchase stock in or become a member of any corporation or organization organized on non-profit basis for the purpose of the Administration of RUS, of any corporation for the purpose of acquiring electric facilities.

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 regulation, not inconsistent with law, the articles of consolidation 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, is subject to applicable laws and rules and regulations of any regulatory body and shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utility Service (RUS) of the United States of America. 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. A report of audited financial statements may be submitted to the members at the next following annual meeting.

SECTION 5. Area Coverage The board shall make diligent effort to see that electrical service is extended to all unserved person within the Cooperative's service area who:

- (A) desire such service and

- (B) meet all reasonable requirements established by the Cooperative as a condition of such service.

## ARTICLE XII

### INDEMNITY OF BOARD MEMBERS AND OFFICERS

SECTION 1. Indemnity The Cooperative shall identify any person who was or is a party, or is threatened to be made a party, or against whom a claim is made which may result in that person becoming a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a board member or officer of the Cooperative, or is or was serving at the request of the Cooperative as a board member, director, trustee or officer of another cooperative, corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such claim, action, suit or proceeding, including attorneys' fees, if he or she acted in good faith and in a manner he or she reasonable believed to be in or not opposed to the best interests of the Cooperative and if he or she did not act with gross negligence and was not guilty of willful misconduct; and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea 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 he or she reasonably believed to be in or not opposed to the best interests of the Cooperative, nor that the person acted with gross negligence or was guilty of willful misconduct, nor with respect to any criminal action or proceeding, that the person had reasonable cause to believe that his or her conduct was unlawful.

SECTION 2. Authorization of Indemnity Any indemnification under Section 1 of this Article shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the board member or officer is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1. Such determination shall be made:

- (A) by the board by a majority vote of a quorum consisting of board members who are not parties to such action, suit or proceeding, nor against whom such claim was made; or
- (B) if such quorum is not obtainable, or even if obtainable and a quorum of disinterested board members so directs, by legal counsel who is independent of the board member or officer in a written opinion given at the expense of the Cooperative; or
- (C) by the members.

SECTION 3. Advance of Expenses Expenses incurred in defending such a claim or such a threatened, pending or completed civil action, suite or proceeding shall

be paid by the Cooperative advance of the final disposition of claim, action, suit or proceeding as authorized in the specific case in the same manner as indemnity is authorized in Section 2 including a preliminary determination that indemnification is likely and upon receipt of an undertaking by or on behalf of the board member or officer 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 this Article.

SECTION 4. Nonexclusive Rights The indemnification provided by this Article shall not be deemed to restrict the power of the Cooperative to make any other lawful indemnification nor shall it be deemed exclusive of any other rights to which those seeking indemnification may be entitled by law including, but not limited to, 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 or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

#### ARTICLE XIV

#### 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.

Notwithstanding any other provisions of these bylaws, an affirmative vote of, and a quorum for purposes of such vote of, at least a majority of all of the members of the Cooperative shall be required to alter, amend or repeal the number of affirmative votes of the members required for action in accordance with Article VII-DISPOSITION OF PROPERTY, Article IX-DISSOLUTION, of this Article XIV-AMENDMENTS.

*Revised and approved by voting membership at Annual Meeting March 20, 2017*