

# BYLAWS

## Flint Hills Rural Electric Cooperative Association, Inc.

Revised March 23, 2010

*“Owned By Those We Serve”*

Flint Hills Rural Electric  
Cooperative Association, Inc.  
Council Grove, Kansas

### Bylaws

#### Article I The Cooperative

SECTION 1. **Name:** The name of the Cooperative is the Flint Hills Rural Electric Cooperative Association, Inc. (hereinafter called the "Cooperative").

SECTION 2. **Principal Office:** The principal office for the transaction of the business of the Cooperative is Council Grove, Kansas.

SECTION 3. **Powers and Purposes:** The powers of this Cooperative are those granted by the State of Kansas pursuant to K. S. A. 17-4604 and as amended. This Corporation is a nonprofit, membership Cooperative organized for the purpose of supplying electric energy and promoting and extending the use thereof, pursuant to K. S. A. 17-4601 et. seq. and as amended.

SECTION 4. **Purposes of the Bylaws:** These Bylaws set forth the rights and duties of the members and trustees and provide for the regulation and management of the affairs of the Cooperative according to its Articles of Conversion and Kansas Law.

#### ARTICLE II Membership

SECTION 1. **Requirements for Membership:** Any natural person, firm, association, corporation, business trust, partnership, limited liability company, or body politic or subdivision thereof (collectively referred to as "Person") will become a member of this Cooperative at the time electric service or any other service, product, commodity, equipment or facility from or through the Cooperative, is made available to such person, provided that such person has first:

- a.) Made written application for membership;
- b.) Paid the membership fee;
- c.) Agreed to the terms and conditions of the contract for the purchase of electric service and energy from this Cooperative; and,
- d.) Agreed to comply with and be bound by the Articles of Conversion and Bylaws of the Cooperative and all rules and regulations adopted by the Board of Trustees.

SECTION 2. **Number of Memberships:** No member may hold more than one (1) membership in this Cooperative and no membership shall be transferrable.

SECTION 3. **Nondiscrimination:** No persons, firm, partnership, association, body politic or subdivision thereof, shall be denied membership in the Cooperative nor the use of its services or facilities on the basis of race, color, national origin, sex, religion or political affiliation. There shall be no discrimination in the rights and privileges associated with such membership in the Cooperative which issue and accrue to all members alike, including, but not limited to, the following:

- a.) Use of services and facilities of the Cooperative;
- b.) The type and quality of electric service provided and the rates charged therefor for similar classifications of service;
- c.) Construction of electric lines and facilities to provide service, restoration of service or improvements of service;
- d.) Purchase of goods and services and payment therefor;
- e.) Attendance at, or participation in, membership meetings, either District, Annual or Special, and voting on items of business under consideration;
- f.) Appointment to and serving on membership committees;
- g.) Nomination, election or service on the Board of Trustees or as an officer of the Cooperative, only to the extent as may be otherwise limited by these Bylaws.

SECTION 4. **Joint Membership:** A married couple may apply for a joint membership which shall be issued in their names upon their compliance with the membership requirements in the Bylaws. Memberships held jointly shall be treated as one membership and the privileges, rights and liabilities of membership shall apply equally to each of the named joint members. In addition, joint memberships shall be subject to the following requirements:

- a.) **Voting** - Only one member of a joint membership may vote on any issue which member must be designated in writing to the Secretary of the Cooperative. The vote of one member binds the other joint member.
- b.) **Notice** - Notice to either joint member shall constitute notice to both joint members.

c.) **Waiver of Notice** - The presence at a meeting by either or a Waiver of Notice signed by either shall constitute a waiver of notice of the meeting for both joint members.

d.) **Termination of Joint Membership** - Expulsion, death, or withdrawal of either shall terminate the joint membership.

e.) **Service as Trustee** - Either, but not both parties of a joint membership may serve as Trustee, if qualified.

#### **SECTION 5. Conversion of Membership:**

a.) A membership may be converted into a joint membership upon the written request of the holder thereof and his or her spouse and upon their fulfilling the requirements for membership as provided in this Article. The outstanding membership certificate shall be surrendered, and a new one shall be issued as a joint membership by the cooperative.

b.) Upon the death of either spouse who is a party to the joint ownership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and a new one issued according to the membership status; provided, however, the estate of the deceased shall not be released from any debts due the Cooperative.

#### **SECTION 6. Purchase of Electric Energy:**

a.) Each member shall, as soon as electric energy shall be available, purchase from the Cooperative the electric energy used on the premises specified in his application for membership, and shall pay monthly therefore rates which shall from time to time be fixed by the Board of Trustees; **provided, however,** that the Board of Trustees may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. 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 per month regardless of the amount of electric energy consumed, and 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.

b.) The taking of electric service by a customer will constitute acceptance of, an agreement to be bound by the provisions of the electric service agreement, the Cooperative's rate schedules, all rules and regulations in effect and on file at the Cooperative general office, these Bylaws, and any special contract or agreement with the customer. Any changes in rate schedules, rules and regulations, or these Bylaws, shall act as a modification of the electric service agreement then in existence without further notice.

c.) The Cooperative shall provide Cooperative services to members in a reasonable manner. The Cooperative, however, neither guarantees nor warrants continuous or flawless provision of Cooperative Services. Cooperative's responsibility and liability for providing Cooperative Services terminates upon delivery of any Cooperative service to a member or other person acting for a member. After providing the member reasonable notice and an opportunity to comment orally or in writing, the Cooperative may suspend or terminate provision of any Cooperative services to any member. Upon (1) determining that a member has tampered or interfered with, damaged, or impaired any product, equipment, structure or facility furnished or used by the Cooperative to provide, monitor, measure or maintain any Cooperative service ("Cooperative equipment"); (2) discovering the unsafe condition of any Cooperative equipment; or (3) discovering any eminent hazard or danger posed by any Cooperative equipment; then, without providing the member notice or any opportunity to comment, the Cooperative may suspend the member and may suspend or terminate provision of Cooperative services to the member.

d.) If a member substantially reduces or ceases the member's use, receipt or purchase of Cooperative services, then and in that event the Cooperative may charge the member, and the member shall pay the Cooperative, the reasonable costs and expenses incurred by the Cooperative in relying upon the member's pre-reduction or pre-ceasing use, receipt or purchase of cooperative services.

#### **SECTION 7. Membership and Service Connection fees:**

a.) All fees, charges, deposits, bonds, guarantees and agreements for memberships, applications for service, minimum services, meter readings and tests, returned checks, security deposits, the Cooperative's refusal of service, connections, collections of bills, disconnections, reconnections, restoration of service and refunds shall be made and charged in accordance with the applicable rules and regulations of the Cooperative.

b.) **REFUNDS OF MEMBERSHIP FEES AND/OR DEPOSITS:** All membership fees and/or deposits shall be subject to refund to the member or consumer upon disconnection of service and upon payment of all charges to date of disconnection then outstanding; or, such membership fee and/or deposit shall be applied against any such outstanding charge to the extent of such membership fees and/or deposits of the respective member/consumer to the extent necessary or available, including accrued interest when applicable, with only that portion of such membership fee and/or deposit in excess of outstanding charges being subject to refund.

### **ARTICLE III**

#### **Rights and Liabilities of Members**

**SECTION 1. Property Interest of Members:** Upon dissolution, after (a) all debts and liabilities of the Cooperative 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 proportion to 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.

**SECTION 2. Nonliability for Debts of the Cooperative:** The private property of 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 IV**

#### **Meetings of Members**

**SECTION 1. Annual Meeting:** The annual meeting of the membership shall be held each year on the date, at the place and time selected by the Board of Trustees; said annual membership meeting shall not be held prior to February 15 nor later than April 15 each year, and which shall be designated in the notice of meeting, for the purpose of receiving reports for the previous fiscal year and discussing such matters 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 place and time shall not work a forfeiture of dissolution of the Cooperative.

**SECTION 2. Special Meetings:** Special meetings of the members may be called by resolution of the Board, or upon written request signed by any three (3) trustees, by the President, or by ten percentum or more of 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 of Trustees and shall be specified in the notice of the special meeting.

#### **SECTION 3. Notice of Any Meeting of the Members Shall Include:**

a.) The place, day and hour of the meeting;

b.) The purpose or purposes for which the meeting is called;

c.) List of names of all trustee candidates nominated for the Board positions to be filled, if an annual meeting.

d.) Any matter which a member may raise or discuss, and intends to raise or discuss, at the member meeting if:

i.) Requested, in writing, by a percentage of the total membership entitled to call a special member meeting; and

ii.) The Cooperative receives the written request at least 20 business days prior to delivering notice of the member meeting.

The notice shall be delivered not less than ten (10) nor more than thirty-five (35) days before the date of the meeting, either personally or by mail, by or at the direction of the secretary, or upon default in duty of the secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be given 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 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 such meeting.

**SECTION 4. Quorum:** Seventy-five (75) members present shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice, but no other business may be transacted at such meeting. The minutes of each meeting shall contain a list of members present at a meeting.

When any members' meeting, either annual or special, is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting, other than by announcement of the meeting at which such adjournment is taken.

**SECTION 5. Waiver of Notice:** Any person entitled to notice of a meeting may waive such notice in writing either before or after such meeting. If any such person shall attend such meeting, such attendance shall constitute a waiver of notice of such meeting unless such person participates therein solely to object to the transaction of any business because the meeting has not been legally called or convened.

**SECTION 6 Voting:** Each member shall be entitled to one vote upon each matter submitted to a vote at a meeting of the members, provided, however, joint members may vote only as provided in Article II, Section 4. All questions submitted to the members shall be decided by majority vote of the members voting thereon. In the event there is adjudged to be a tie vote for any issue or for candidates for any trustee position, the membership shall vote as many times as may be necessary to decide the issue or elect the trustee. At any meeting of the members, members may consider, vote or act only upon a matter for which the Board and members were properly notified and the members are authorized to consider, vote or act. Unless at least one-third (1/3) of the members entitled to vote on a matter are present in person at a meeting of the members, members may only vote upon matters described in the notice of said meeting.

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

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 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 V

### Trustees

**SECTION 1. Powers:** Subject to limitations of the Articles of Conversion, of the Bylaws, and of the Kansas Law as to action which shall be authorized and approved by the members, and subject to the duties of the trustees as prescribed by the Bylaws, all Corporate Powers shall be exercised by or under the authority of, and the business affairs of the Cooperative shall be controlled by a Board of Trustees consisting of twelve (12) members. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers, to wit:

1.) To select and remove all other officers, agents and employees of the Cooperative, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Conversion of the Bylaws, fix their compensation and require from them security for faithful service.

2.) To conduct, manage, and control the affairs and business of the Cooperative, and to make such rules and regulations and adopt such policies therefor not inconsistent with law, or with the Articles of Conversion or the Bylaws, as they may deem best.

3.) To change the principal office for the transaction of the business of the Cooperative from one location to another and as provided by law; to use the Corporate Seal provided that such seal shall at all times comply with the provisions of law.

4.) To borrow money and incur indebtedness for the purposes of the Cooperative not inconsistent with law, or with the Articles of Conversion, or the Bylaws, as they deem best, and to cause to be executed and delivered therefor in the Corporate name, promissory notes, mortgages, deeds of trust, or other evidence of debt therefor.

5.) To appoint an executive committee and other committees, and to delegate to such committees any of the powers and authority of the Board in the management of the business and affairs of the Cooperative, except the power to amend or repeal these Bylaws. Any such committee shall be composed of three (3) or more trustees.

**SECTION 2. Qualifications:** To be eligible to become or remain a trustee or to hold a position of any trust in the Cooperative, a person must:

1.) Be an individual;

2.) Be a member in good standing of this Cooperative and be a bona fide resident in the area served by the Cooperative in the geographic district represented;

3.) Not be employed by the Cooperative in any capacity at the current time nor have been employed by the Cooperative in any capacity in the five years preceding the time which a trustee would take office;

4.) Not be employed by or financially interested in any enterprise in the business of selling electric energy or a competing form of energy to consumers or members or to the Cooperative;

5.) Be vitally interested in the Cooperative's success and devote the necessary time and effort to accomplish this goal;

6.) File a written acceptance of his election with the Secretary of the Board;

7.) Attend not less than 75% of all meetings of the Board of Trustees, on an annual basis, including both regular and special meetings of the Board;

8.) Not be closely related to an incumbent trustee or an employee of the Cooperative. As used herein "closely related" means a person who is related to the principal person by consanguinity or affinity, to the second degree or less – that is, a person who is either a spouse, child, grandchild, parent, brother, sister,

aunt, uncle, nephew or niece, by blood or in-law, or the principal. However, no incumbent trustee shall lose eligibility to remain a trustee or to be re-elected as a trustee if he or she becomes a close relative of another incumbent trustee or of a Cooperative employee because of a marriage to which he or she was not a party; neither shall an employee lose eligibility to continue in the employment of the Cooperative if he or she becomes a close relative of a trustee because of a marriage to which he or she was not a party.

If a husband and wife hold a joint membership in a Cooperative, either one, but not both, may be elected a trustee.

Upon establishment of the fact that a trustee is holding office in violation of any of the foregoing provisions, the Board of Trustees shall remove such trustee from office, provided, however such removal shall not affect in any manner whatsoever the validity of any action taken at any prior meeting of the Board of Trustees.

**SECTION 3. District Representation:** The area served by the Cooperative shall be divided into six geographic districts. Each district shall be represented by two trustees, who shall be classified for the purpose of rotation of terms and only one trustee from each district shall be elected in a given year.

The geographic areas for district representation on the Board of Trustees shall be numbered consecutively from one to six inclusive. The boundaries of such districts shall be established by the Board of Trustees.

**SECTION 4. Nomination of Trustee Candidates:**

a.) Not less than thirty (30) days before the Annual Meeting of the members, the Board of Trustees shall appoint or cause to be appointed, a nominating committee for each of the Cooperative's six (6) geographic districts having a trustee position whose term of office is to expire at the next Annual Meeting. The District Nominating Committee for each district shall consist of not less than three (3) members of the Cooperative who are residents of the district. They shall not be member of the Board of Trustees nor employees of the Cooperative. The District Nominating Committees shall, at least twenty-five (25) days prior to the Annual Meeting of the members at which trustees are to be elected choose two (2) qualified candidates from their respective district to be voted upon by the members to fill the trustee position whose term of office is to expire at the next Annual Meeting. A trustee serving on the board may be nominated to succeed himself.

Each District Nominating Committee, at the time of its meeting, shall designate a secretary to record the action taken by the committee who shall inform the Secretary of the Cooperative of such action so that it may be properly included in the notice of the meeting sent to the members as required by these Bylaws.

b.) Nominees proposed by the nominating committee for trustee shall be listed on written ballots to be distributed to the membership at the Annual Meeting. Districts having board members whose terms are to expire shall be listed by number in chronological order. Incumbent trustee candidate's names shall be listed first on each ballot. In the event that there is no incumbent trustee as a candidate for a district, the candidates shall be listed on the ballot in alphabetical order according to their last names.

At the meeting of the Cooperative, the Secretary shall place in nomination the names of the candidates of each district as nominated by the district nominating committees.

Candidates may be nominated by a member from the floor at the Annual Meeting. To be considered the candidate must be qualified to serve a district having a trustee position whose term has expired. The names of all persons nominated from the floor shall be written on a blackboard or other suitable surface so the names of all candidates may reasonably be seen by all persons present at the meeting. To vote for a candidate nominated from the floor his name must be written legibly on a blank provided on the ballot and the ballot marked in the place provided.

All votes shall be counted, if the ballots are marked so the judges can determine the true intention of the voter.

Each member of the Cooperative present at the meeting shall be entitled to vote for one candidate from each district. The candidates from each district receiving the highest number of votes shall be declared elected as trustees upon qualifying as provided herein.

**SECTION 5. Election of Trustees:** One-third of the District Trustees shall be elected by written ballot at each Annual Meeting of the members, but if any Annual Meeting is not held, or the trustees are not elected thereat, the trustees may be elected at a special meeting of the members held for that purpose not more than sixty (60) days after the date of the Annual Meeting.

**SECTION 6. Term of Office:**

a.) The term of office for each trustee position shall be three (3) years and shall expire at the Annual Meeting date on the third year. All trustees shall hold office for the term they are elected or appointed to fill and until their respective successors are elected and qualified.

b.) A trustee may be removed from office at any time for good cause by a majority vote of the members.

Any member may file written charges setting forth the alleged cause and requesting removal of such trustee by reason thereof, together with a proper petition signed by at least ten percentum of the members requesting such removal with the Secretary of the Board of Trustees. The Secretary shall thereupon inform the Board who shall proceed to set a date, time and place for a special meeting of the members to consider the charges.

The trustee charged shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members and shall have the opportunity to be heard in person or by counsel and to be present and to present evidence on his behalf. The person filing the charges shall have the same opportunity. The question of the removal of such trustee shall be considered and voted upon by the members at such meeting.

**SECTION 7. Vacancies:** A vacancy or vacancies in the Board of Trustees shall be deemed to exist in case of the death, resignation, legal incapacitation, or if any trustee shall fail to qualify as provided herein or if such trustee is removed for cause by the membership.

Vacancies on the Board of Trustees may be filled by a majority vote of the Board for a person qualified to be trustee. The trustee so elected shall hold office for the remaining term of office of the trustee position which he fills.

The members may elect a trustee or trustees at any time to fill any vacancy or vacancies not filled by the Board. If the Board of Trustees accepts the resignation of a trustee to take effect at a future time, the Board of Trustees shall, or if the Board of Trustees fails to act, the members shall have the power to, elect a successor to take office when the resignation is to become effective.

**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 fee and expenses of attendance may be allowed for attendance at each meeting, and, such fees and expenses of attendance may be allowed for the attendance at any other authorized meeting wherein the trustees shall act as representatives of the Cooperative. No close relative of a trustee shall receive compensation for serving the Cooperative.

**ARTICLE VI  
Meeting of Trustees**

**SECTION 1. Organizational Meeting:** A regular meeting of the Board of Trustees shall be held without notice, immediately after, and at the same place as the Annual Meeting of the members for the purpose of organization, election of officers, and transaction of other business.

**SECTION 2. Place of Meeting:** Regular meetings of the Board of Trustees shall be held at any place within the State of Kansas which has been designated from time to time by resolution of the Board or by written consent of all members of the Board. In the absence of such designation, regular meetings shall be

held at the principal office of the Cooperative in Morris County, Kansas.

SECTION 3. **Special Meetings:** Special meetings of the Board may be held either at a place so designated within the State of Kansas or in the absence of such designation, at the principal office of the Cooperative in Morris County, Kansas.

Special meeting of the Board 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.

SECTION 4. **Notice of Trustees' Meetings:** Written notice of the time, place and purpose of any special meeting of the Board of Trustees shall be delivered to each trustee not less than five (5) days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the trustees calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

SECTION 5. **Waiver of Notice:** Transactions of meetings of the Board of Trustees, however, called and noticed or wherever held, shall be valid as though a meeting had been duly held after a regular call of notice, if a quorum be present and if, either before or after the meeting, each of trustees not present signs a written waiver of notice, or a consent to holding such meeting, or approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

SECTION 6. **Quorum:** A majority of the authorized number of trustees shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the trustees present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Trustees, unless a greater number is required by law, the Articles of Conversion or these Bylaws. Trustees present at a duly called and held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough trustees to leave less than a quorum.

SECTION 7. **Adjournment:** A majority of the trustees present may adjourn any trustees meeting to meet again at a stated day and hour or until the time fixed for the regular meeting of the Board.

## ARTICLE VII 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 upon direction of the Board of Trustees.

SECTION 2. **Election and Term of Office:** The officers shall be elected by ballot, annually by and from the Board of Trustees at the organizational meeting of the Board of Trustees. 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 one year and until an organization meeting of the Board of Trustees following the next Annual Meeting of the members, unless removed as such officer or unless he ceases to be a trustee. A vacancy in any office shall be filled by a majority vote by the Board of Trustees for the unexpired portion of the term for the office.

SECTION 3. **President:** Subject to the control of the Board of Trustees, the President of the Board of Trustees shall be the chief executive officer of the Cooperative.

He shall preside at all meetings of the members and at all meetings of the Board of Trustees.

He shall, when authorized by the Board, execute all deeds, mortgages, deeds of trust, notes, bonds, contracts or other documents on behalf of the Cooperative, unless the execution shall be delegated by the Board to some other officer or agent of the Cooperative or shall be required by law to be otherwise executed.

He shall be ex officio a member of all standing committees, including the executive committee.

He shall have such other powers and duties as may be prescribed by the Board of Trustees or by these Bylaws.

SECTION 4. **Vice President:** In the absence or disability of the President, the Vice President shall perform the duties of the President, 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 have such powers and perform such duties as from time to time may be assigned to him by the Board of Trustees or these Bylaws.

SECTION 5. **Secretary:** The Secretary shall:

Keep or cause to be kept, the minutes of the meetings of the members and of the Board of Trustees in one or more books located at the principal office or at such other place as the Board of Trustees may order and provide for that purpose.

Give or cause to be given all notices in accordance with these Bylaws or required by law.

Be custodian of the corporate records and of the Seal of the Cooperative and affix the Seal of Cooperative to all Certificates of Membership prior to the issuance thereof. He shall execute and attest to the signing of all documents by the President on behalf of the Board of Trustees and the sealing of all documents on behalf of the Cooperative in accordance with the provisions of these Bylaws.

Keep or cause to be kept, the books of the Cooperative. Keep or cause to be kept on file at all times a complete copy of the Articles of Conversion and Bylaws of the Cooperative containing all amendments thereto which copy shall always be open to the inspection by any member of the Cooperative. Upon request, he shall, at the expense of the Cooperative, forward or cause to be forwarded a copy of these Bylaws and of all amendments thereto to any member.

Perform all duties and exercise all powers incidental to the office of Secretary as may be prescribed by the Board of Trustees.

SECTION 6. **Treasurer:** The Treasurer shall: Keep and maintain, or cause to be kept or maintained, an adequate and correct account of the properties and business transactions of the Cooperative, including accounts of its assets, liabilities, receipts, disbursements, losses or gains, and the books of accounts shall at all reasonable times be open to inspection by any trustee.

The Treasurer shall deposit, or cause to be deposited, all monies or other valuables in the name and to the credit of the Cooperative at such depositories as may be designated by the Board of Trustees. He shall disburse or cause to be disbursed the funds of the Cooperative as may be ordered by the Board of Trustees, shall render to the President and Trustees, whenever they request it, an account of all of his transactions as Treasurer and the financial condition of the Cooperative, and shall have such other powers and shall perform such other duties as may be prescribed by the Board of Trustees or these Bylaws.

SECTION 7. **General Manager:** The Board of Trustees shall employ a General Manager who shall, subject to the control of the Board of Trustees, be the Chief Administrative Officer of the Cooperative and have general supervision, direction and control of the business and employees of the Cooperative. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the General Manager shall have the following powers and duties, to wit:

a.) Selection, employment, training, supervision, evaluation, advancement disciplining and discharging of personnel, as required, to operate the Cooperative efficiently;

b.) Development and administration of programs and/or practices to insure successful operation of the Cooperative and recommend policies to the Board

of Trustees for procedural authority or implementation of these activities as authorized;

c.) Procurement of materials, supplies, tools and equipment needed to insure efficient operation of the Cooperative;

d.) Administration of policies, rules and regulations as adopted by the Board of Trustees from time to time;

e.) Negotiation of contracts relative to power supply; special services of consultants; franchise or other agreements, all subject to approval and ratification by the Board of Trustees; and shall act as advisor to the Board or special committees of the Board in the negotiations of other contracts, wherein such advice would be of assistance;

f.) Delegation of authority, duties and responsibilities to subordinates, supervisors or department heads and holding them accountable for proper performance;

g.) Keeping trustees, members and the general public informed on important matters relative to the Cooperative's operations;

h.) Appearances before, or reporting to, regulatory or governmental agencies or commissions as may be required or as necessary;

i.) Working with other groups or agencies, cooperatives or otherwise, in programs or activities which would enhance the rural electrification program in general and the cooperative form of business enterprise in particular;

j.) Perform such other duties as the Board of Trustees may direct or which are not inconsistent with these Bylaws, rules, regulations and/or policies of the Board of Trustees, or as may come within the scope of his specified or implied duties.

**SECTION 8. Bonds of Officers:** The Treasurer or any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded of such sum and of 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 9. Vacancy:** A vacancy in any office because of death, resignation, legal incapacitation, removal, disqualification or any other cause shall be filled by majority vote of the Board of Trustees. The officer so elected shall fill the office until the term for the office he fills expires.

**SECTION 10. Standard of Care:** Every officer shall discharge the officer's duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the officer reasonably believes to be in the Cooperative's best interest.

## **ARTICLE VIII Nonprofit Operation**

**SECTION 1. Interest or Dividends on Capital Prohibited:** The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

**SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy:** In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and nonmembers alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis the Cooperative is obligated to account on a patronage basis to all its patrons, members and nonmembers alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. In computing its patronage dividend obligation in the preceding sentence, the Cooperative shall take into account any business done by the cooperative through a partnership, limited liability company or similar organization, treat the Cooperative's share of such business as if such business was conducted directly by the Cooperative for patronage dividend purposes and shall pay patronage dividends to its patrons, members and nonmembers with respect to such business. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and nonmembers alike, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron 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. The Cooperative is specifically authorized to maintain one or more pools of income through which it determines the patronage sourced income which it is obligated to distribute pursuant to the preceding paragraph.

Notwithstanding any other provision of the bylaws or other provision of the membership certificate, if any member or former member fails to claim any cash retirement of capital credits or other payment from the Cooperative within three (3) years after payment of the same has been made available to him by notice or check mailed to his last address furnished by him to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such member of such capital credit or other payment to the Cooperative. Failure to claim any such payment within the meaning of this section shall include the failure of such member or former member to cash any check mailed to him by the Cooperative at the last address furnished by him to the Cooperative. The assignment and gift provided for under this section shall become effective only upon the expiration of three (3) years from the date when such payment was made available to such member or former member without claim therefore and only after the further expiration of sixty (60) days following the giving of a notice by mail or publication that unless such payment is claimed within said sixty (60) day period, such gift to the Cooperative shall become effective. The notice by mail herein provided shall be one mailed by the Cooperative to such member or former member at the last known address. If notice by publication is given, said publication shall be one insertion in a newspaper circulated in the service area of the Cooperative, which may be the Cooperative newsletter. The sixty (60) day period following the giving of such notice either by mail or publication shall be deemed to terminate sixty (60) days after the mailing or publication of such notice.

The Board is hereby authorized to adopt such rules, regulations and policies as they deem necessary or advisable to carry out the provisions of these bylaws.

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. In the event that a nonmember patron shall elect to become a member of the Cooperative the capital credited to the account of such nonmember patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such nonmember patron.

Notwithstanding any other provision of these bylaws, the Board of Trustees, at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representatives of his or her estate shall request in writing that the capital credited to such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Trustees, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with Cooperative acknowledge that the terms and provisions of the Articles of Conversion and Bylaws shall

constitute and be a contract between the Cooperative and each patron, and both the Cooperative and 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.

**SECTION 2a. Distribution of Patron Credits:** In the event the association shall suffer a loss in any year, the Board of Trustees shall prescribe the basis on which capital contribution of patrons shall be reduced on the account of any such loss, so that it will be borne by the patrons on as equitable basis as the Board of Trustees finds practicable.

**SECTION 3.** All refunds of capital credits shall be limited to that amount of such credits less any outstanding indebtedness owed by a member/consumer to the Cooperative for services rendered, regardless of when such indebtedness shall have occurred.

## **ARTICLE IX Sale of Property**

**SECTION 1.** The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrances is authorized at a meeting of the members thereof, by the affirmative vote of not less than a majority of all the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of such meeting; provided, however, that notwithstanding anything herein contained, the Board of Trustees of the Cooperative, without specific authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privilege licenses, franchises and permits of the Cooperative whether acquired or to be acquired, 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.** The Board of Trustees shall have the authority to sell or otherwise dispose of minor items of property without prior authorization of the membership, however, such authority shall be limited to the sale and/or disposition of those minor items of property having a total value not exceeding 2% of the Cooperative's total assets at the time of such sale or other disposition without due authorization of a majority of all the members of the Cooperative present at a meeting of the members thereof.

## **ARTICLE X Seal**

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

## **ARTICLE XI Financial Transactions**

**SECTION 1. Contracts, Deeds, etc., How Executed:** The Board of Trustees, except as in these Bylaws otherwise provide, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Cooperative, and such authority may be general or confined to specific instances: and unless so authorized by the Board of Trustees, no officer, agent or employee shall have any power or authority to bind the Cooperative by any contract or engagement or to pledge its credit or to render it liable for any purpose in any amount; provided, however, that any deeds or other instruments conveying lands or any interest therein shall be executed on behalf of the Cooperative by the President or Vice-President, if there be one, or by any agent or attorney so authorized under letter of attorney or other written power which was executed on behalf of the Cooperative by the President or Vice-President.

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

**SECTION 3. Change in Rates:** Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

**SECTION 4. Fiscal Year:** The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

## **ARTICLE XII Miscellaneous**

**SECTION 1. Membership in Other Organizations:** The Cooperative may become a member or purchase stock in any other profit or nonprofit organizations, associations, partnership, corporations or joint ventures, or form wholly-own subsidiary organizations, when the Board of Trustees finds that the general or long-term interests of the membership will be served by such investments or participations.

**SECTION 2. Accounting System and Audit Reports:** The Board of Trustees shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board of Trustees shall cause to be made annually by a Certified Public Accountant a full and complete audit of the accounts, books and financial condition of the Cooperative.

A report of such audit reports shall be submitted to the members at the next following annual meeting.

**SECTION 3. Legal Notices Between Customer and Cooperative:** All notices addressed to the Cooperative shall be in writing and no telephone communication shall be considered as proper notice unless otherwise specifically provided for by the rules and regulations on file at the Cooperative general office. If oral orders are taken in person or over a telephone by an agent of the Cooperative, it is done for the convenience of the customer and at his risk. The Cooperative is not responsible for error, delay or expense resulting from such procedure, but the Cooperative shall exercise reasonable diligence in carrying out the telephone communications from the customer.

**SECTION 4. Authority and Wavier:** No representative, agent or employee of the Cooperative shall otherwise have the authority to amend, modify, alter or waive any of the Cooperative's rules and regulations or bind the Cooperative with promises or representations.

## **ARTICLE XIII Amendments**

**SECTION 1. Power of Members and Notice to Members:** New bylaws may be adopted or these Bylaws may be amended or repealed by the affirmative vote of a majority of those members voting thereon at a meeting of the members. Notice of proposed repeals, amendments or adoptions shall be given by delivering a copy of the proposed alteration to the members according to the procedure set forth in Article IV, Section 3.

**SECTION 2. Sponsorship of Bylaw Amendments:** Unless sponsored or proposed by the Board, and unless otherwise determined by the Board, to be considered at a member meeting, any proposed Bylaw amendments must be:

- 1.) Sponsored by, and accompanied by a dated petition containing the printed names, addresses, and original dated signatures obtained within sixty (60) days of the Petition date for at least five percent (5%) of the total membership;
- 2.) Delivered to, and received by, the Cooperative at least sixty (60) days prior to the member meeting at which members will consider the proposed Bylaw amendment;
- 3.) After review by the Board, determined lawful by the Board;
- 4.) Not altered or modified after delivery to the Cooperative.

#### **ARTICLE XIV Indemnification**

**SECTION 1.** The cooperative shall indemnify any person or such person's estate or personal representative who was or is a party, or is threatened to be made a party to any pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a trustee, officer or employee of the cooperative, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, including attorney's fees, to the full extent permitted by law, upon a determination that such person acted in good faith and in a manner he 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 his conduct was unlawful.

Indemnification shall not be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable.

In the event of a settlement before or after an action, suit or proceeding, indemnification shall be provided only in connection with such matters covered by the settlement as to which the cooperative is advised by independent legal counsel that the person to be indemnified was not guilty of negligence or misconduct. Expenses incurred in defending a civil or criminal action, suit or proceeding shall not be paid by the cooperative in advance of the final disposition of such action, suit or proceeding.

The foregoing right of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled under any other bylaw provision, agreement, vote of the members or disinterested trustees or otherwise.

#### **CERTIFICATE OF SECRETARY**

I the undersigned, do hereby certify:

- 1.) That I am the duly elected and acting Secretary of The Flint Hills Rural Electric Cooperative Association, Inc., a Kansas Corporation; and
  - 2.) That the foregoing Bylaws constitute the Bylaws of said corporation as duly adopted at the meeting of the members thereof duly held March 23, 2010.
- IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the Seal of said corporation the 23th day of March, 2010.

**Duane Carlson, Secretary**