

Ninnescah Rural Electric Cooperative Association, Inc

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THE NINNESCAH RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC.

The aim of the Ninnescah Rural Electric Cooperative Association, Inc., (hereinafter called the "Cooperative") is to make electric energy available to its shareholders (hereinafter called "members") at the lowest cost consistent with sound economy and good management.

ARTICLE I – MEMBERS

SECTION 1 – *Qualifications and Obligations*

Any person, firm, corporation or body politic may become a member of the Cooperative by: (a) paying the membership fee hereinafter specified; (b) agreeing to purchase from the Cooperative the amount of electric energy as hereinafter specified; and (c) agreeing to comply with and be bound by the articles of incorporation of the Cooperative and these bylaws and any amendments thereto and such rules and regulations as may, from time to time, be adopted by the board of trustees, provided, however, that no person, firm, corporation or body politic shall become a member unless and until his or its share subscription and application for membership (hereinafter called the "application of membership") has been accepted for membership by the board of trustees or the members. No person, firm, corporation or body politic may own more than one (1) membership.

At each meeting of the members, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the board of trustees shall be submitted by the board of trustees to such meeting of the members and, subject to compliance by the applicant with the conditions set forth in subdivisions (a), (b) and (c) of this section, such application for membership may be accepted by a vote of the members at such meeting. The Secretary shall give any such applicant at least ten (10) days prior notice of the date of the members' meeting to which his application will be submitted and such applicant may be present and heard at the meeting.

SECTION 2 – *Membership Certificates*

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the board. Such certificate shall be signed by the President and by the Secretary of the Cooperative, and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these bylaws, nor until such membership has fee been fully paid for. In case a certificate is lost, destroyed or mutilated a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the board may prescribe. Certificates may be signed by printed or rubber-stamped signatures.

SECTION 3 – *Joint Membership*

Two or more individuals occupying the same location for which the Cooperative provides or will provide service may apply for a "Joint Membership" in accordance with the foregoing provisions of Section 1, provided that all individuals applying to become a member comply with the provisions of the above subdivisions (a), (b), and (c) in Section 1.

The term "member" as used in these bylaws shall be deemed to include individuals holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect to the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of one or all of the joint members shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) Individuals in a joint membership shall designate one voting member.
- (c) The vote of the designated joint member shall constitute one vote on each matter submitted to a vote at a meeting of the members;
- (d) A waiver of notice signed by one or all of the joint members shall constitute a joint waiver;
- (e) Notice to one shall constitute notice to all;
- (f) Expulsion of a joint member shall terminate the joint membership;
- (g) Withdrawal of a joint member shall terminate the joint membership;
- (h) One joint member, but not more than one joint member, may be elected or appointed as an officer or board member, provided that the joint member elected or appointed as an officer or board member meets the qualifications for such office.

When a membership is held jointly, upon the death of a joint member, such membership shall be deemed to be held solely by the survivor(s) with the same effect as though such membership had been originally issued solely to them, as the case may be, and the joint membership certificate may be surrendered by the survivor(s) and upon the recording of such death on the books of the Cooperative the certificate may be reissued to and in the name of such survivor(s), provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

SECTION 4 – *Membership Fee*

The “membership fee” shall be Five Dollars (\$5.00). The payment of the membership fee shall make a member eligible for one (1) service connection. An additional fee of \$5.00 shall be paid for each additional service connection requested by a member.

SECTION 5 – *Purchase of Electric Energy*

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all purchased electric energy used on the premises specified in his application for membership and shall pay, therefore, monthly at 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, as shall be fixed by the board of trustees from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

SECTION 6 – *Non-Liability for Debts of the Cooperative*

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

SECTION 7 – *Property Interest of Members*

Upon dissolution, after;

- (a) all debts and liabilities of the Cooperative shall have been paid, and
- (b) all capital furnished through patronage shall have been retired as provided in these bylaws,

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

SECTION 8 – *Expulsion of Members and Surrender of Membership*

The board of trustees may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member and cause his “certificate of membership” to be surrendered if such member shall have violated or refused to comply with any of the provisions of the articles of incorporation of the Cooperative, these bylaws or any rules or regulations adopted from time to time by the board of trustees. The certificates of membership so surrendered shall be canceled by the board of trustees. Any member so expelled and whose certificate of membership has been surrendered may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

SECTION 9 – *Termination of Membership*

- (a) Any member may withdraw from membership upon payment in full of all liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the board of trustees may prescribe.
- (b) Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall, thereupon, terminate, and the certificate of membership of such member shall be surrendered forthwith to the Cooperative. Termination of membership, in any manner, shall not release the member, or his estate, from the debts or liabilities of such member to 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 him, provided, that the Cooperative shall deduct from

the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

ARTICLE II – MEETINGS OF MEMBERS

SECTION 1 – *Annual Meeting*

The Annual Meeting of the members shall be held in the County of Pratt, State of Kansas, between the dates of March 1 and July 1 of each year. Said date and place of meeting shall be designated by the board of trustees. The time and place of meeting designated by the board of trustees shall be set forth in the notice of meeting, for the purpose of electing trustees, passing upon reports covering the previous year, and transacting such other business as may come before the meeting. It shall be the responsibility of the board of trustees to make adequate plans and preparations for the Annual Meeting. If the day fixed for the Annual Meeting shall fall on a Sunday or legal holiday, such meeting shall be held on the next succeeding day. If the election of trustees shall not be held on the day designated for any Annual Meeting, or at any adjournment thereof, the board of trustees shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2 – *Special Meetings*

Special meetings of the members may be called by at least three (3) trustees or upon a written request signed by at least ten per centum (10%) 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 the County of Pratt in the State of Kansas specified in the notice of the special meeting.

SECTION 3 – *Notice of Members' Meetings*

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purposes for which the meeting is called, shall be delivered not less than seven (7) 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 by the persons calling the meeting, to each member; if mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4 – *Quorum*

A quorum shall consist of a total number of fifty (50) members present in person or represented by proxy or by another manner approved by the Board. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, provided that the Secretary shall notify any absent members of the time and place of such adjourned meeting.

SECTION 5 – *Voting*

Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, or by mail ballot, except as otherwise provided by law, the articles of incorporation of the Cooperative, or these bylaws.

SECTION 5.01 – *Mail Ballot*

Matters may be submitted to a vote and presented to the members by means of a written ballot, hereinafter referred to as a "mail ballot". Mail ballots shall be returned to the Cooperative by mail or hand delivered, and must be received before the time of the meeting of the members. The Board shall determine which matters are presented to the members by a mail ballot and the terms, conditions and procedures to regulate the use of mail ballots. Issues decided by a mail ballot in which the number of votes cast is equal to or greater than the number of members needed to constitute a quorum, as defined by these bylaws, shall have the same force and effect as a vote taken at a meeting of the members. All ballots shall be counted by staff and the Cooperative Attorney prior to the Annual Meeting.

If the number of qualified candidates nominated by petition for election as a trustee is equal to the number of vacancies, then the election of trustees shall automatically be dispensed with, and the nominees shall be deemed elected.

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 person shall vote as proxy for more than three (3) members at any meeting of the members and 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 theretofore executed by that member and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if the proxy had not been executed.

In case of a joint membership, a proxy may be executed by the joint member designated as the voting member. The presence of the joint member designated as the voting member at a meeting of the members shall revoke a proxy theretofore executed by the joint member designated as the voting member and such joint member, 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.

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:

1. Call of the roll.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of and acting upon reports of officers, trustees and committees.
5. Election of trustees.
6. Unfinished business.
7. New business.
8. Adjournments.

ARTICLE III – TRUSTEES

SECTION 1 – General Powers

The business and affairs of the Cooperative shall be managed by a board of trustees consisting of not less than five (5) nor more than nine (9) members, which shall exercise all of the powers of the Cooperative except such as are by law or by the articles of incorporation or by these bylaws conferred upon or reserved to the members.

SECTION 2 – Qualifications and Tenure

At each annual meeting, three (3) trustees whose terms shall have expired shall be elected by secret ballot by and from the members to serve for a period of three (3) years or until their successors have been elected and shall have qualified.

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

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

- (a) is not a member and a bona fide resident of the service area;
- (b) is in any way employed by 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 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 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 3 – Nominations

It shall be the duty of the board of trustees to appoint not less than thirty (30) days nor more than one hundred twenty (120) days before the date of a meeting of the members at which trustees are to be elected, a committee on

nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the board of trustees shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative at least twenty-five (25) days before the meeting a list of nominations for trustees, but any fifteen (15) or more members may make other nominations in writing over their signatures not less than twenty (20) days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting a statement of the number of trustees to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. This shall be the only nomination procedure recognized in the election of trustees. Nominations will not be accepted from the floor. The members may at any meeting at which a trustee or trustees shall be removed, as hereinafter provided, elect a successor or successors thereto without compliance with the foregoing provision with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of trustees.

SECTION 4 – *Vacancies*

Subject to the provisions of these bylaws with respect to the removal of trustees, vacancies occurring in the board of trustees shall be filled by a majority vote of the remaining trustees and trustees thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified.

SECTION 5 – *Compensation*

Trustees as such shall not receive any salary for their services, but by resolution of the board of trustees a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of trustees and at such other meetings or activities for which trustees are authorized by the board of trustees to represent the Cooperative.

SECTION 6 – *Removal of Trustees and Officers*

Any member may bring charges against an officer or trustee by filing them in writing with the Secretary, together with a petition signed by ten per centum (10%) of the members, requesting the removal of the officer or trustee in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The trustee or officer against whom such charges have been brought shall be informed in writing at least ten (10) days prior to the meeting of members of the charges, and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

SECTION 7 – *Rules and Regulations*

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

SECTION 8 – *Accounting System and Reports*

The board of trustees shall cause to be established and maintained a complete accounting system, which, among other things, 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. Each regular meeting of the board of trustees shall include a detailed financial report prepared by Cooperative staff. The board of trustees shall cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative at least once a year. Copies of the audit report shall be available for inspection by any member during business hours at the Cooperative.

SECTION 9 – *Change in Rates*

Written notice shall be given to the Administrator of the Rural Utilities Service 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.

ARTICLE IV – MEETINGS OF BOARD OF TRUSTEES

SECTION 1 – *Regular Meetings*

A regular meeting of the board of trustees shall be held without notice other than this bylaw, immediately after and at the same place as the annual meeting of the members. A regular meeting of the board of trustees shall also be held monthly at such time and place in Pratt County, Kansas, or such other appropriate place, as the board of trustees may provide by resolution, except that for good and sufficient cause a regular meeting of the board of trustees may be cancelled by a majority vote of the board of trustees, without violation of these bylaws.

SECTION 2 – *Special Meetings*

Special meetings of three (3) trustees. The person or persons authorized to call special meetings of the board of trustees may fix the time and place (which shall be in Pratt County, Kansas, or such other appropriate place as may be approved by resolution of the board,) for the holding of any special meeting of the board of trustees called by them. Special meetings of the board of trustees may be conducted by telephone conference call or other appropriate communications device when the business to be conducted can be properly conducted in that fashion.

SECTION 3 – *Notice*

Notice of the time, place and purpose of any special meeting of the board of trustees shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to each board member at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a board member at any meeting shall constitute a waiver of notice of such meeting, except in case a board member shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4 – *Quorum*

A majority of the board of trustees shall constitute a quorum for the transaction of business at any meeting of the board of trustees provided that if less than a majority of the trustees are present at said meeting, a majority of the trustees present may adjourn the meeting from time to time without further notice.

SECTION 5 – *Manner of Acting*

The act of the majority of the trustees present at a meeting at which a quorum is present shall be the act of the board of trustees.

ARTICLE V – OFFICERS

SECTION 1 – *Number*

The officers of the Cooperative shall be a President, Vice-President, Secretary and Treasurer. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 2 – *Election and Term of Office*

The officers shall be elected, by ballot, annually by and from the board of trustees at the first meeting of the board of trustees held after each 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 convenient. Each officer shall hold office until the first meeting of the board of trustees following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

SECTION 3 – *Removal*

Any officer or agent elected or appointed by the board of trustees may be removed by the board of trustees whenever, in its judgement, the best interest of the Cooperative will be served thereby.

SECTION 4 – *Vacancies*

Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the board of trustees for the unexpired portion of the term.

SECTION 5 – *President*

The President:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the board of trustees;

- (b) shall sign, in person or by facsimile signature, with the Secretary, certificates of membership, the issue of which shall have been authorized by resolution of the board of trustees, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of trustees or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of trustees from time to time

SECTION 6 – *Vice-President*

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

SECTION 7 – *Secretary*

The Secretary shall:

- (a) keep the minutes of meetings of the members and the board of trustees in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
- (e) sign, in person or by facsimile signature, with the President certificates of membership, the issue of which shall have been authorized by resolution of the board of trustees;
- (f) have general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative forward a copy of the bylaws and all amendments thereto to each members; and
- (h) in general, perform all duties incident to the office of Secretary and such other duties as, from time to time, may be assigned to him by the board of trustees.

SECTION 8 – *Treasurer*

The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit all such moneys 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) in general, perform all the duties incident to the office of Treasurer and such other duties as, from time to time may be assigned to him by the board of trustees.

SECTION 9 – *Manager*

The board of trustees may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties as the board of trustees may, from time to time, require of him and shall have such authority as the board of trustees may, from time to time, vest in him.

SECTION 10 – *Bonds of Officers*

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

SECTION 11 – *Compensation*

The compensation, if any, of any officer, agent or employee who is also a trustee shall be determined by the members, as provided elsewhere in these bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed by the board of trustees.

SECTION 12 – Reports

The officers of the Cooperative shall submit, at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI – CONTRACTS, CHECKS AND DEPOSITS

SECTION 1 – Contracts

Except as otherwise provided in these bylaws, the board of trustees may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of 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 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.

SECTION 3 – Deposits

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

ARTICLE VII – NON-PROFIT OPERATION

SECTION 1 – Interest or Dividends on Capital Prohibited

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

SECTION 2 – Patronage Capital in Connection with Furnishing Electric Energy

In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital.

The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating cost 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. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a prorata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board of trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part.

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

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

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation, the articles of conversion and the bylaws shall constitute and be contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

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 hereinbefore provided.

Notwithstanding any other provision of these Bylaws, in the event any patron terminates his/her membership in the Cooperative, either voluntarily or involuntarily, and at the time of said termination said patron owes an outstanding debt to the Cooperative for services rendered by the Cooperative to the patron, any capital credits credited to said patron's capital account shall be used as an offset against the debt owed by said patron to the Cooperative.

ARTICLE VIII – WAIVER OF NOTICE

Any member or trustee may waive, in writing, any notice of meetings required to be given by these bylaws.

ARTICLE IX – DISPOSITION OF PROPERTY

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all the members of the Cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained the board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board shall determine, to secure any indebtedness of the Cooperative; provided further that the board may, upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this State pursuant to the Act under which this Cooperative is incorporated.

ARTICLE X – FISCAL YEAR

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

ARTICLE XI – MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative shall not become a Member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchases, provided, however, that the Cooperative may upon the authorization of the Board, purchase stock in or become a member of any corporation, limited liability company or organization organized on a nonprofit basis or a for profit basis for the purpose of engaging in or furthering the cause of area-wide rural electric service, or with the approval of the Administrator of RUS, of any other corporation, profit or nonprofit, for the purpose of acquiring electric facilities or assuring more adequate electric service to its members.

ARTICLE XII – SEAL

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

ARTICLE XIII – 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.

STATEMENT OF NONDISCRIMINATION

The Ninnescah Rural Electric Cooperative Association, Inc., is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age of Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture which provide that no person in the United States on the basis of race, color, national origin, age, or handicap shall be excluded from participation in, admission or access to, denied benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is the General Manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization; or the Secretary of the U.S. Department of Agriculture, Washington, D.C. 20250, or the Administrator, Rural Utilities Service, Washington, D.C. 20250. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.