

BYLAWS OF SUMNER-COWLEY ELECTRIC COOPERATIVE, INC

**REVISED AS OF MARCH 30TH, 2019
ANNUAL MEETING**

ARTICLE I MEMBERSHIP

SECTION 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of Sumner-Cowley Electric Cooperative, Inc. (hereinafter called the "Cooperative"), upon receipt of electrical service from the Cooperative, provided that he, she or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative electric energy hereinafter specified;
- (c) Agreed to comply with and be bound by the Articles of Incorporation and bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors; and
- (d) Paid the membership fee hereinafter specified. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

SECTION 2. From and after the adoption of these bylaws by the members of the Cooperative, all applications for membership, either single or joint, shall be in writing and shall contain in addition to the other provisions now appearing therein, the following provisions: "The undersigned applicant (or applicants) for membership in the Sumner-Cowley Electric Cooperative, Inc. understand and agree that as a member or members of the Cooperative they will be bound by and

subject to all of the provisions of the charter and bylaws of the said Cooperative and that all of their rights and liabilities will be governed and determined in accordance therewith and by any amendment thereof.”

SECTION 3. 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 of Directors. 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 fee has been fully paid. 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 of Directors may prescribe.

SECTION 4. Joint Membership. A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term “member” as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute a notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

SECTION 5. Conversion of Membership.

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, bylaws and rules and regulations adopted by the Board of Directors. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status; provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 6. Membership and Service Connection Fees. The membership fee shall be twenty-five dollars, upon payment of which a member shall be eligible for one service connection. A service connection fee of twenty-five dollars shall be charged for each additional service connection.

SECTION 7. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his/her application for membership, and shall pay therefor at rates which shall from time to time be fixed by the board. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Should the member fail to comply with such regulations of the Cooperative, the Cooperative may, after reasonable notice, disconnect such member, until said member complies with the regulations.

SECTION 8. Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may

prescribe. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, bylaws or rules and regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes him/her liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him/her, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the Board of Directors.

- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his/her estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid in cash by him/her, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the members to the Cooperative, and provided further, however, that any membership fee which has been paid, in whole or in part, by the application of capital credited to the account of a patron as provided in these bylaws, shall be repaid to the member only in accordance with the provisions of these bylaws with respect to the retirement of patronage capital.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. 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, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

SECTION 2. Non-liability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

SECTION 3. The Cooperative is obligated only to furnish electricity to its members by erecting distribution lines, when the necessary materials are available, and delivering electric current to the meter upon the premises of the member. The members of the Cooperative acknowledge that they know and understand that electricity, is a dangerous agency and that extreme care must be exercised in its use to prevent damage and loss to persons and property. It shall be the duty and obligation of the member to have his/her premises wired for the use of electricity thereon by a capable and competent electrician, which wiring shall comply with all applicable Federal and State Laws and all local Ordinances. The members understand and acknowledge that they will be liable for any and all damages resulting in any way from the use of electricity or defective wiring upon their premises.

SECTION 4. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto for inspection, maintenance, replacement, relocation or repair thereof at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities

and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his/her best efforts to prevent others from so doing. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance could have prevented such, the member shall indemnify the Cooperative and any other person against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. In no event shall the responsibility of the Cooperative extend beyond the point at which its service wires are attached to the meter loop provided for measuring electricity used on such premises, or beyond the combination circuit breaker-meter base panel if such is owned and maintained by the Cooperative, except that the Cooperative, shall in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment.

ARTICLE III MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The exact date of the annual meeting and the place thereof shall be designated by a resolution to be adopted by the Board of Directors.

The annual meeting shall be held for the purpose of passing upon reports for the previous fiscal year and transacting such other business as may properly come before the meeting. Failure to hold an annual meeting at 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 a resolution of the Board of Directors, or upon a written request signed by any three directors, by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the

members may be held at any place within the County of Sumner, 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 or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days before the date of the meeting either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 4. Quorum. Fifty members present in person 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. The minutes of each meeting shall contain a list of the members present in person.

SECTION 5. Voting. Voting on issues reserved to the membership, except the election of Directors, shall be conducted in person at the Annual Meeting or special meeting of the Membership. Each member shall be entitled to only one vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting except as otherwise provided by law, the Articles of Incorporation or these bylaws.

SECTION 6. Order of Business. The order of business at the annual meeting of the members and, so far as possible, at all meetings 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 the due publication or mailing thereof, or the waiver or waivers 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, directors and committees.
5. Report the Director election results
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE IV DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of not less than neither seven (7) nor more than nine (9) directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these bylaws conferred upon or reserved to the members.

SECTION 2. Election and Tenure of Office. Directors shall be elected from not less than seven (7) or more than nine (9) districts in the Cooperative's territory. The districts shall be designated by a Board of Directors Resolution rather than by a bylaw change, therefore allowing the Board of Directors to make changes as needed to provide more equitable representation from each Board District. In the event of a reduction from nine (9) to eight (8) or seven (7), the rotation of district elections shall remain unchanged until further bylaw amendment.

One director shall be elected by ballot for a term of three (3) years from each of the said Districts. No person shall be eligible to be a candidate for membership on, or to be a Member of the Board of Directors unless he/she is a bona fide member of the Cooperative, receiving service and residing within the District for which he/she was elected to represent. Only the bona fide members of the Cooperative receiving service and residing within the district for which the election is being conducted shall be entitled to vote for the candidates seeking a Director position on the Board of Directors from said district.

Elections shall be conducted by mail in ballots. Ballots shall be sent to each member of record of the district for which an election shall be held and these ballots shall be returned to the Cooperative in a postage paid envelope provided by the Cooperative. Ballots will be collected and held unopened until such time set forth for counting ballots during the business session of the Cooperative's Annual Meeting.

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

All ballots shall be counted by an appointed Teller Committee which shall be determined prior to the Annual Meeting. Members of the Teller Committee shall not be members of the districts for which the election is being conducted.

Directors will be elected by a plurality vote of the Members and shall serve for the term specified or until their successors shall have been elected and qualified.

Any director elections that result in a tie shall be decided by coin flip.

SECTION 3. Qualifications. No person shall be eligible to become or remain a director who:

- (a) Is not a member and bona fide resident of the district from which a director is to be elected or appointed or after becoming a director loses bona fide residence of the district from which elected or appointed.
- (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.

- (c) Is personally employed or has a spouse, parent, sibling, child or grandchild, including a step-parent, step-sibling, step-child, or step-grandchild who is an employee of the Cooperative.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director 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 of Directors.

SECTION 4. Nominations. All members in good standing which meet the qualifications set forth in Section 2 are eligible to serve as directors of the Cooperative. A member seeking a director position shall provide a petition signed by no less than five (5) members of the candidate's district. The petition shall be presented to the Cooperative's Chief Executive Officer no sooner than January 1st and no later than the close of business the last day of business in January of the election year for verification. Once the petition has been verified, the Secretary shall post notice of such nomination at the Cooperative's headquarters. The Secretary shall mail with the notice of the meeting or separately, but at least ten (10) days before the date of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates.

SECTION 5. Removal of Directors by Members. Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him/her shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

SECTION 6. Vacancies. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term.

SECTION 7. Compensation. Directors shall not receive any salary for their services as directors, except that by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by vote of the members of the service by such director or close relative shall have been certified by the Board of Directors as an emergency measure.

ARTICLE V MEETING OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the Board of Directors shall be held monthly at the Cooperative's headquarters building in Sumner County, Kansas at such time as the Board of Directors or the Board President may provide. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or by any three directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place (which shall be in Sumner County, Kansas), for the holding of the meeting.

SECTION 3. Notice of Board Meetings. Written notice of the time, place and purpose of any special meeting of the board shall be delivered to each member of the Board of Directors either personally, electronically 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 board member calling the meeting. If mailed, such notice shall

be deemed to be delivered when deposited in the United States mail addressed to the board member at his/her address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting. If sent by electronic means, such notice shall be sent receipt requested and deemed delivered upon return of receipt.

SECTION 4. Quorum. A majority of the Board of Directors shall constitute a quorum, provided, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time, and provided further, that the Secretary shall notify any absent director of the time and place of such adjourned meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE VI OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The officers of the Secretary and Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected individually by ballot, voice vote or by any other means as determined by the members of the Board, annually by and from the Board of Directors at the first regularly scheduled monthly Board meeting, or as soon as conveniently possible following the annual meeting of the members. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his/her successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

SECTION 3. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgement the best interests of the Cooperative will be

served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten per centum of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges, and the person or persons bringing the charges against him/her shall have the same opportunity. In the event the board does not remove such officer, the question of his/her removal shall be considered and voted upon at the next meeting of the members.

SECTION 4. President. The President shall:

- (a) Be the principal executive officer of the Cooperative and, unless otherwise determined by the members of the Board of Directors, shall preside at all meetings of the members and the Board of Directors;
- (b) Sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members, and may sign any deed, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) In general perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. Vice President. In the absence of the President, or in the event of his/her inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him/her by the Board of Directors.

SECTION 6. Secretary. The Secretary shall be responsible, either personally or through assignment to others for:

- (a) Keeping the minutes of the meetings of the members and of the Board of Directors in one or more books provided for that purpose;
- (b) Seeing that all notices are duly given in accordance with these bylaws or as required by law;
- (c) The safekeeping of the corporate records and of the seal of the Cooperative and affix the seal of the Cooperative to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) Keep a register of the names and post office addresses of all members;
- (e) Sign, with the President, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members;
- (f) General charge of the books of the Cooperative;
- (g) Keeping on file at all times a complete copy of the Articles of Incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, forward a copy of the bylaws and of all amendments thereto each member; 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/her by the Board of Directors.

SECTION 7. Treasurer. The Treasurer shall be responsible, either personally or through assignment to the CEO for;

- (a) Custody of and be responsible for all funds and securities of the Cooperative;
- (b) The receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- (c) The general performance of all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him/her by the Board of Directors.

SECTION 8. Chief Executive Officer/General Manager. The Board of Directors may appoint a CEO/General Manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him/her.

SECTION 9. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall either be bonded or be provided insurance coverage by the Cooperative in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to be provided the same coverage.

SECTION 10. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these bylaws with respect to compensation for trustees and close relatives of trustees.

SECTION 11. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII NON-PROFIT OPERATION

SECTION 1. Interest 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 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. PROVIDED, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself/herself the specific amount of capital so credited to him/her. 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 credit

shall be retired without priority on a pro rata basis before any payments are made on account of a property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors 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. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. PROVIDED, however, that the Board of Directors shall have the power and authority to adopt rules and amend rules from time to time, relating to the separate retirement of capital credits which are allocated to the Cooperative by organizations furnishing power supply or any other service or supply, to the Cooperative. Such rules need not be identical or similar to the rules of the Cooperative governing the general allocation and retirement of patronage and credits. The Board of Directors shall determine the manner, method and timing and refunding capital credits.

Capital credited to the account of each patron shall be assigned only on the books of the Cooperative pursuant to written instruction from the assigner 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 Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, who was a natural person, if the legal representative of his/her 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, on a discounted basis with the discount to be applied established by the Board of Directors, such terms and conditions as the Board of Directors, 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 Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the Kansas legal rate in effect when such amount first became overdue, compounded annually. If the legal

representative declines to agree to the discounted method and the terms and conditions set forth by the Board of Directors, the capital credited to the estate shall be on the books of the Cooperative until such time the Cooperative would otherwise retire capital credits under the provisions of these bylaws.

The Board of Directors, at its discretion, shall have the power at any time a patron relinquishes their membership with the Cooperative to retire the capital credited to any such patron prior to the time such capital would otherwise be retired under the provisions of these bylaws on a discounted basis as described above, if agreeable to the patron. If the patron declines to accept the capital on a discounted basis under the terms and conditions set forth by the Board of Directors, that capital shall be held on the books of the Cooperative until such time the Cooperative would otherwise retire capital credits under the provisions of these bylaws.

If the Cooperative takes reasonable measures to notify any such patrons or former patrons of retired capital credits and if the patron or former patron fails to claim the retired or refunded capital credits within one (1) year, then the patron or former patron contributes the unclaimed amounts to the Cooperative, and the Cooperative accepts the unclaimed amounts from the patron or former patron as permanent, non-allocated capital.

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

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

amounts so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

ARTICLE VIII DISPOSITION OF PROPERTY

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 encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors 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, franchise and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative; provided further that the Board of Directors 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, or to a municipality or other body politic or subdivision thereof.

ARTICLE IX SEAL

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

ARTICLE X FINANCIAL TRANSACTIONS

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed 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 Directors.

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 Directors may select.

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 XI MISCELLANEOUS

SECTION 1. Purchase of Stock or Assets. The Board of Directors, without a vote of the membership, may purchase stock or assets of another organization, entity, or individual engaged in any lawful business and may organize that purchased stock or asset in any lawful manner.

SECTION 2. Waiver of Notice. Any member or director may waive any notice of a meeting required to be given by these bylaws, either before or after such meeting. The attendance of a member at any meeting shall constitute a waiver of notice of such meeting by such member or director, except in case a member or

director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 3. Rules and Regulations. The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. Accounting System and Reports. The Board of Directors 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 Electrification Administration of the United States of America. The Board of Directors shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books, and financial condition of the Cooperative. The annual report to members shall reflect such adjustments by the audit in its annual report submitted to the members at the next following meeting.

SECTION 5. Area Coverage. The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

SECTION 6. Indemnification.

- (a) The Cooperative may indemnify any person, such person's heirs, executors, or administrators, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Cooperative, by reason of the fact that such person is or was a director, officer, or employee of the Cooperative, or is or was serving at the request of the cooperative as a trustee, officer, or employee of another Cooperative, against expenses, judgements, fines and amounts paid in settlement actually

and reasonably incurred by such person in connection with such action, suit or proceeding, including attorney's fees, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the cooperative, and with respect to any criminal act or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

- (b) The Cooperative may indemnify any person, his/her heirs, executors and administrators, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action or suit by or in the right of the Cooperative to procure a judgement in its favor by reason of the fact that such person is or was a director, officer, or employee of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, or employee of another Cooperative, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, including attorney's fees, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Cooperative and except that on indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Cooperative unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which the court shall deem proper.

- (c) Any indemnification under subsection (a) and (b), unless ordered by a court, shall be made only as authorized in the specific case upon a determination that indemnification of the director officer or employee is proper in the circumstances because such director, officer, or employee has met the applicable standard of conduct set forth in subsections (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the members.

- (d) To the extent that a director, officer, or employee of the Cooperative has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b), or in the defense of any claim, issue or matter therein, such director, officer, or employee shall be indemnified against expenses actually and reasonably incurred by such person in connection therewith, including attorney fees.

- (e) Expenses incurred by a director or officer in defending a civil or criminal action, suit or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to pay such amount if it is ultimately determined that the trustee or officer is not entitled to be indemnified by the Cooperative. Such expenses incurred by other employees may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

- (f) The foregoing rights of indemnification or reimbursement shall not be exclusive of other rights to which such person, such person's heirs, executors, and administrators, may be entitled as a matter of law.

- (g) The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, or employee of the Cooperative or is or was serving at the request of the Cooperative as a director, officer, or employee of another Cooperative, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Cooperative may indemnify such person against such liability under paragraphs (a) or (b).

ARTICLE XII AMENDMENTS

These bylaws may be altered, amended or repealed by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

UNITED STATES DEPARTMENT OF AGRICULTURE Rural Electrification Administration

APPENDIX A Statement of Nondiscrimination

"SUMNER-COWLEY ELECTRIC COOPERATIVE, INC. has filed with the Federal Government a Compliance Assurance in which it assures the Rural Electrification Administration that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against

any person on the ground of race, color or national origin in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participants including rates, conditions and extension of service, use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organizations.”

“Any person who believes himself, or any specific class of individuals, to be subjected by this organization to discrimination prohibited by Title VI of the Act and the Rules and Regulations issued thereunder may, by himself or a representative, file with the Secretary of Agriculture, Washington, D.C. 20250, or the Rural Electrification Administration, Washington, D.C. 20250, or this organization, or all, a written complaint. Such complaints must be filed not later than 90 days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Electrification Administration extends the time for filing. Identify of complaints will be kept confidential except to the extent necessary to carry out the purpose of the Rules and Regulations.”