

BYLAWS OF DS&O ELECTRIC COOPERATIVE, INC.

ARTICLE I - MEMBERSHIP

SECTION 1.01 Eligibility

Any person, including but not limited to proprietorships, corporations, associations, limited liability companies, partnerships, general or limited, body politics, or subdivisions therefore or other form of legal entity (hereinafter sometimes referred to as an “entity”), shall become a member of DS&O Electric Cooperative, Inc. (hereinafter called “DSO”) upon receipt of electric service from DSO, if they have first:

- (1) Made an application for membership on forms provided by DSO, and
- (2) Agreed to purchase, accept delivery of or use electric energy and energy-related services or other products or services from DSO, and
- (3) Agreed to comply with and be bound by the articles of incorporation, bylaws, and rules and regulations adopted and amended from time to time by the DSO board of directors (hereinafter “the board”), and

No individual or other entity may hold more than one membership. No membership is transferable, except on the books of DSO and as provided for in these bylaws.

SECTION 1.02 Membership Record

DSO shall maintain membership records at its principal office, including a roll of members, which shall include the name and address of each member of DSO and such other information as may be deemed advisable by the board. No membership certificates shall be issued.

SECTION 1.03 Membership Definitions

Memberships in DSO are extended to individual or joint members or entities that meet the requirements of this article.

The term “member” as used in these bylaws shall refer to an individual, entity, or joint membership. Any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. The effect of the following actions by the holders of a joint membership shall be as follows:

- (1) The presence at a meeting of either or both shall be regarded as the presence of one member, and shall constitute a joint waiver of notice of the meeting,
- (2) Either separately or both jointly shall cast only one vote on behalf of the joint membership,
- (3) A waiver of notice signed by either or both shall constitute a joint waiver,
- (4) Notice to either shall constitute notice to both,
- (5) Expulsion of either shall terminate the joint membership,
- (6) Withdrawal of either shall terminate the joint membership,
- (7) Either, but not both may be elected or appointed as an officer or director, if both meet the

qualifications for such office.

SECTION 1.04 Conversion of Membership

An individual membership may be converted to a joint membership upon the written request of the individual member, and the agreement of the member and the additional person to be added to comply with the articles of incorporation, bylaws, and rules and regulations adopted by DSO. This may require a new application for service.

Upon the death of either party who is party to the joint membership, the membership shall be held solely by the survivor, which may require a new application for service. The estate of the deceased shall not be released from any debts due DSO.

SECTION 1.05 Purchase of Electric Service

The term electric service, as used in these bylaws, shall mean the purchase, sale, and delivery of electric energy and all ancillary and related services and products incidental thereto, including services provided by DSO with or through a partnership, limited liability company, or similar organization. Electric services purchased by the member for use on the premises specified in the membership application shall be purchased from or delivered by DSO. Rates and terms shall be fixed by the board and may be changed by the board from time to time. Production or use of electric energy by facilities that are interconnected with DSO's facilities shall be subject to regulation by DSO.

It is expressly understood that amounts paid for services to DSO in excess of the cost of service are furnished by members as capital. Each member's account shall be credited with the capital so furnished as provided in these bylaws.

SECTION 1.06 Termination of Membership

Any member may withdraw from membership upon compliance with terms and conditions set forth in this article. The board may expel a member who fails to comply with the articles of incorporation, bylaws, or rules and regulations by an affirmative vote of two-thirds of all directors on the board (hereinafter "director(s)"). The member shall have been given written notice of the failure and such failure shall have continued for at least 10 days after the notice was given. Any expelled member may be reinstated by vote of the board or by vote of the members at any annual or special meeting.

The membership of a member who has ceased to purchase electric service from DSO may be terminated by resolution of the board.

A membership shall terminate upon the withdrawal, death, cessation of existence or expulsion of the member. Membership termination shall not release an obligation to pay any debt due DSO.

In case of withdrawal or termination of membership, DSO shall return the membership fee, after deducting any debts or obligations owed to DSO.

SECTION 1.07 Membership Required

Membership in DSO is required to receive electric service from DSO. If a patron receives electric service from DSO without becoming a member, then the board may furnish the patron with a membership retroactive to the date such service was first furnished and the books and records of DSO, to the extent practicable, shall be revised to reflect such membership.

SECTION 1.08 Inactive Membership

A membership shall be considered inactive if the member is not purchasing electric service from DSO. An inactive member shall not have the right to vote, hold office, receive notice, or participate in meetings of the members.

SECTION 1.09 Suspension and Reinstatement of Membership

Memberships will automatically be suspended upon the failure to pay, after proper notice, amounts due DSO or upon violation of DSO bylaws or the rules and regulations adopted by the board. A suspended member shall have no voting rights. Payment of all amounts due DSO, including any additional charges required for such reinstatement, and/or the cure of any breach of membership obligations or violations of rules and regulations shall automatically reinstate the membership.

ARTICLE II - RIGHTS AND LIABILITIES OF MEMBERS

SECTION 2.01 Property Interest of Members

Upon dissolution, after (a) all debts of DSO have been paid, and (b) all membership fees shall have been repaid, the remaining property and assets of DSO shall be distributed among the members of DSO as specified in these bylaws or as otherwise provided by the Kansas Electric Cooperative Act or other applicable law. Termination of membership shall operate as a release of all right, title, and interest of the members in the property or assets of DSO.

SECTION 2.02 Non-Liability for Debts of DSO

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

ARTICLE III - MEETINGS OF MEMBERS

SECTION 3.01 Annual Meeting

The annual meeting of the members shall be held each year, either in-person or via video (live or recorded). If held in-person, then the meeting shall be on a date and at a time and place designated by the board, in any county where DSO is providing electric service. The annual meeting shall be a forum for announcing election/ballot results and presenting reports covering the previous fiscal year. Failure to hold the annual meeting at the designated time shall not cause a forfeiture or dissolution of DSO.

SECTION 3.02 Special Meetings

Special meetings of the members may be called by resolution of the board, by the president of the board (hereinafter "the president"), by written request of three or more directors, or by petition signed by at least 10 percent (10%) of all members. It shall be the duty of the secretary of the board (hereinafter "the secretary") to cause notice of the meeting to be given as specified in Section 3.03. Special meetings of the members may be held at any place within any of the counties served by DSO

as designated by the board and specified in the notice of the special meeting.

SECTION 3.03 Notice of Member Meetings

Written notice of membership meetings stating the date, time, location, and purpose of the meeting shall be delivered not less than 10 days nor more than 35 days before the date of the meeting, either personally or by mail. If mailed, then such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, and addressed to the member at such member's address as it appears on the records of DSO. DSO may provide this notice in its newsletter. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action taken by the members at any such meeting.

SECTION 3.04 Quorum

Business may not be transacted at any meeting of the members unless there are present in person at least 50 members, except that, if less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting to another time and date. Quorums can also be satisfied with the number of members viewing an online event or an online video.

SECTION 3.05 Voting

Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. The representative of an entity shall be permitted to vote upon presenting to the secretary satisfactory credentials and authority to vote on behalf of such member. All questions, except those involving multiple choice issues or determinations, shall be decided by a vote of a majority of the members voting thereon, except as otherwise provided by law, the articles of incorporation, or these bylaws. Multiple choice issues or determinations shall be decided by a plurality vote. If in the election of directors there is a tie, then such tie may be resolved by means of a coin flip. No proxy voting shall be allowed.

If the number of qualified candidates nominated by petition for election as a director in each district is less than or 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.

SECTION 3.06 Mail Ballot

Issues may be presented to the members by means of a written ballot forwarded to the members and returned to DSO by mail. The board shall determine which issues are decided by a mail ballot and what terms and conditions will regulate its use. 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 for a membership meeting shall have the same force and effect as a vote taken at a meeting of the members. If, at any time, an election of directors is had by mail ballot, subsequent elections of directors shall be by mail ballot unless members vote otherwise.

SECTION 3.07 Electronic Ballot

Issues may be presented to the members by means of a written ballot forwarded to the members electronically and returned to DSO electronically or by other acceptable means. The board shall determine which issues are decided by an electronic ballot and what terms and conditions will regulate its use. Issues decided by an electronic ballot in which the number of votes cast is equal to or greater than the number of members needed to constitute a quorum for a membership meeting shall have the same force and effect as a vote taken by such members at a meeting duly called and held by the members.

SECTION 3.08 Combination Ballot

Issues may be presented to the members by means of a combination of written ballots forwarded to the members electronically or by mail and returned to DSO electronically, by mail, or other acceptable means and by written ballot submitted to members at an actual meeting of the members duly called, attended, and held by the members (hereinafter “combination ballot”). The board shall determine which issues are decided by combination ballot and what terms and conditions will regulate its use. Issues decided by combination ballot in which the number of votes cast is equal to or greater than the number of members needed to constitute a quorum for a membership meeting shall have the same force and effect as a vote taken by such members at a meeting duly called and held by the members.

SECTION 3.09 Balloting Procedures

In the case of all balloting by members, the board shall establish written procedures designed to accomplish the following objectives:

- (1) That each member has a reasonable opportunity to cast a vote that will be counted,
- (2) That no member can cast votes in excess of those to which such member is entitled, and
- (3) That no non-member can cast a vote.

The board shall draft such procedures with respect to all votes of members, regardless of whether conducted by actual attendance at a meeting of the members, by mail ballot, by electronic ballot, or by combination ballot. No deviation from such written procedures, no failure to adhere to such written procedures, or no failure of the above procedures to accomplish the intended objectives shall invalidate any vote or action of the members, except to the extent resulting from gross and wanton negligence.

SECTION 3.10 Order of Business

The order of business at the annual meeting of members and, so far as possible, at all other meetings of the members, shall be conducted under policies established by the board and under an agenda essentially as follows:

- (1) Determine the existence of a quorum
- (2) Confirm the timely mailing of the notice of meeting and the satisfaction of any other legal requirements or the waiver of the notice of meeting
- (3) Review and approval of minutes of previous meetings of the members
- (4) Election/ballot results (if applicable)
- (5) Presentation and consideration of reports of officers, directors, manager, and committees
- (6) Unfinished business
- (7) New business
- (8) Adjournment

ARTICLE IV - BOARD OF DIRECTORS

SECTION 4.01 General Powers

The business and affairs of DSO shall be directed by a board of nine directors, which shall exercise all the powers of DSO, except those that are by law, the articles of incorporation, or these bylaws, conferred upon or reserved to the members. For purposes of these bylaws, reference to a “director” or “directors” shall be

deemed to be references to “trustee” or “trustees” within the meaning of K.S.A. 17-4612 of the Kansas Electric Cooperative Act.

SECTION 4.02 Election and Tenure of Office

Directors shall be elected from each district described in Section 4.04 for a term of three years as terms of office expire or until successors shall have been qualified and elected. The board may grant exceptions to the three-year term under special circumstances (i.e., redistricting), but no term shall exceed three years. The total years of elected service as a director shall not exceed 15. Existing directors’ previous years of service at the time of this change (April 2018) shall not count towards the 15 maximum years of elected service.

SECTION 4.03 Qualifications to be Nominated, Elected, and Remain a Director

Any natural person shall be eligible to be nominated, elected, and remain a director if they meet the following criteria:

- (1) Is a member and bona fide resident in the district that the member is to represent, and
- (2) Has not been employed by DSO within the past 36 months, and
- (3) Is not in any way financially interested in a competing enterprise or a business engaged in selling energy, energy services, energy supplies, or maintaining energy producing or selling facilities; provided however, this provision shall not be applicable solely by reason of ownership of up to five percent (5%) of the outstanding capital stock of any publicly traded corporation (the board may grant exceptions for “de minimus” competing enterprises), and
- (4) Is not closely related to any incumbent director or employee of DSO (the term “closely related” means the relationship of spouse, father, mother, brother, sister, son, daughter, grandparent, and grandchild existing by reason of blood, marriage, or adoption).

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

Nothing contained in this section shall affect the validity of any action taken at any meeting of the board.

SECTION 4.04 Districts

For director elections, DSO shall be divided into three districts. Each district shall be represented by three directors.

The boundaries of the three districts are described as following areas served by DSO:

- **West District:** west of highway I-135/US 81
- **Central District:** east of highway I-135/ US 81 and west of highway K-15
- **East District:** east of highway K-15

SECTION 4.05 Nominations of Directors

The board shall appoint an elections committee not less than 60 days nor more than 180 days before any meeting of the members at which directors are to be elected. The elections committee shall consist of not less than five or more than 13 members who shall be selected from different areas served by DSO. No director may serve on the elections committee.

Nominations to serve as a director shall be made by petition. A petition signed by at least 15 members may nominate a member for director elections.

The elections committee shall validate the qualifications of candidates nominated by petition and shall prepare and post a list of nominations for directors at the office of DSO at least 45 days before the meeting. DSO shall mail a statement of the number of directors to be elected and the names of the candidates nominated at least 30 days prior to the date of the meeting/election.

If the directors determine that the election of directors shall be by mail, electronic, or combination ballot, then only those nominees whose petitions were received at least 60 days before the meeting shall be on the ballot. There shall be no nominations from the floor at any member meeting where a director is to be elected. Minor or immaterial deviations from strict compliance with the provisions of this section shall not affect the validity of any elections of directors.

SECTION 4.06 Removal of Directors by Members

Members may request the removal of a director by filing a petition stating the reasons, provided it is signed by at least 10 percent of the members. The affected director shall be given written notice of the reasons listed on the petition at least 10 days prior to the meeting of the members at which the removal is to be considered and shall have an opportunity at the meeting to be heard in person or by counsel, and the person requesting the removal shall have the same opportunity. The question of removal of such director shall be considered and voted upon at the meeting of the members, and any vacancy created by such removal shall remain unfilled until the next scheduled member vote for the election of directors.

SECTION 4.07 Director Vacancies

A director may resign at any time by providing notice to the board, president, or secretary. A resignation is effective when the notice is delivered unless it specifies a future date.

All director vacancies, whether caused by resignation or any other reason, shall remain unfilled until the next scheduled member vote for election of directors.

SECTION 4.08 Compensation

Directors shall not receive any salaries for their services as directors and, except in emergencies, shall not be employed by DSO in any capacity involving compensation without the approval of the board. These bylaws may, however, provide that a fixed fee and expenses of attendance may be allowed to each director for attendance at each meeting of the board and for other functions duly authorized for and on behalf of DSO.

ARTICLE V - MEETINGS OF THE BOARD

SECTION 5.01 Regular Meetings

A regular meeting of the board shall be held periodically, but not less than bi-monthly, at such time and place as the board may provide by resolution. Such regular meetings may be held without notice other than such resolution fixing the time and place thereof. The board may choose to alter its regular meeting schedule from time-to-time, as it deems appropriate.

SECTION 5.02 Special Meetings

Special meetings of the board may be called by the president or by any three directors, and it shall be the duty of the secretary to cause notice of such meeting to be given. The president or the directors calling the meeting shall fix the time and place for the holding of the meeting.

The secretary shall cause written notice of the time, place, and purpose of any special meeting of the board to be delivered to each director, either personally, electronically, or by mail. Upon a default in duty of the

secretary, the president, or the directors calling the meeting shall cause notice to be given. If mailed, then the notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at the address as it appears on the records of DSO, with postage prepaid.

SECTION 5.03 Quorum

A majority of the directors shall constitute a quorum. If less than a majority of the directors are present at a meeting, then a majority of the directors present may adjourn the meeting from time-to-time and the secretary shall notify any absent directors 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.

SECTION 5.04 Unanimous Consent in Writing

To the extent not prohibited by law, board action may be taken without a meeting, and without a vote, if unanimous consent of all directors is obtained (in writing or communicated electronically). Such board action shall be explained to all directors in reasonable detail prior to board action being taken.

SECTION 5.05 Telephone Board Meetings

Directors may participate in and hold a meeting of the board by means of a conference telephone or similar communications equipment whereby all directors participating in the meeting can hear each other. Participation in a meeting in this manner shall constitute presence in person at such meeting. Board meetings conducted in this way are subject to all requirements for notices of meetings, if applicable.

ARTICLE VI - OFFICERS

SECTION 6.01 Titles

The officers of DSO shall be president, vice-president, and secretary (all of whom shall be elected annually by and from the board) and such other officers as may be determined by the board.

SECTION 6.02 Election and Term of Office

The officers shall be elected by ballot, annually by and from the board without prior nomination, at the first meeting of the board following the annual meeting of the members. Each officer shall hold office until the first meeting of the board following the next succeeding annual meeting of the members or until their successor has been elected and qualified. Except as otherwise provided in these bylaws, the vacancy in any office shall be filled by a majority vote of the directors for the unexpired portion of the term. When a person holding the office of president, vice-president, or secretary ceases to be a director, they shall cease to hold such office.

SECTION 6.03 Removal of Officers and Agents by Directors

Any officer may be removed by a majority vote of the directors whenever, in its judgment, the best interests of DSO will be served.

SECTION 6.04 President

Unless otherwise determined by the board and unless otherwise required by law, the articles of incorporation, or these bylaws, the president:

- (1) Shall preside, or designate another individual to preside, at all board and member meetings, and
- (2) On DSO's behalf, sign any document properly authorized or approved by the board or members.

SECTION 6.05 Vice-President

Unless otherwise determined by the board and unless otherwise required by law, the articles of incorporation, or these bylaws, the vice-president of the board (hereinafter "vice-president") shall, upon the president's death, absence, disability, improper refusal, or inability to act, perform the duties, and have the powers, of the president.

SECTION 6.06 Secretary

Unless otherwise determined by the board and unless otherwise required by law, the articles of incorporation, or these bylaws, the secretary

shall be responsible for authenticating DSO's records; and

SECTION 6.07 General Manager

The general manager shall:

- (1) Be the chief executive officer responsible for the general direction, coordination, and control of all operations in accordance with the policies adopted by the board, subject to the direction and instruction of the board, and
- (2) Have supervision over and be responsible for the operations of DSO and, in performing this duty, carry out and administer the policies adopted by the board, and
- (3) Prepare for the board such reports and budgets as are necessary to inform the board concerning the operation of DSO, and
- (4) In general, perform all duties incident to the office of chief executive officer and perform such other duties as may be assigned by the board.

SECTION 6.08 Reports

The officers of DSO shall submit at each annual meeting of the members reports covering the business of DSO for the previous fiscal year. Such reports shall set forth the conditions of DSO at the close of the fiscal year.

SECTION 6.09 Delegation of Secretary's Responsibilities

The board may delegate, wholly or in part, the responsibility and authority of the secretary's duties to other directors or the general manager. To the extent the board does so delegate the responsibilities, the secretary shall be released from such duties, responsibilities, and authorities.

ARTICLE VII - INDEMNIFICATION OF OFFICERS, DIRECTORS, AND EMPLOYEES

SECTION 7.01 Scope of Indemnification

DSO shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of DSO) by reason of the fact that such person is or was a director, officer, or employee of DSO, or who is or was serving at the request of DSO as a director, officer, or employee of another cooperative, association, corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided 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 DSO and, with respect to any criminal action or proceedings, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon pleas 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 that such person reasonably believed to be in or not opposed to the best interests of DSO and, with respect to any criminal action or proceeding, had reasonable excuse to believe that the conduct of such person was not unlawful.

SECTION 7.02 Indemnification for Good Faith Action

DSO shall indemnify any person 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 DSO to procure a judgment in its favor by reason of the fact that such person is or was a director, officer or employee of DSO, or is or was serving at the request of DSO as a director, officer, or employee of another cooperative, association, corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, 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 DSO. No indemnification shall be made in respect of 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 the duty of such person to DSO, 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 indemnity of such expenses as the court shall deem proper.

SECTION 7.03 Cost of Defense Indemnified

To the extent that a director, officer, or employee of DSO has been successful on the merits or otherwise, in the defense of any action, suit or proceeding referring to in Sections 7.01 and 7.02, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therein.

SECTION 7.04 Amount of Indemnification

Any indemnification under Sections 7.01 and 7.02 (unless ordered by a court) shall be made by DSO 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 person has met the applicable standard of conduct set forth in Sections 7.01 and 7.02. Such determination shall be made:

- (1) By the board 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, and directors so direct, then by independent legal counsel in a written opinion; or
- (3) By the members.

SECTION 7.05 Expenses Advanced

Expenses incurred in defending a civil or criminal action, suit, or proceeding may be paid by DSO in advance of the final disposition of such action, suit, or proceeding, as authorized by the board in the specific case, upon receipt of a firm commitment by or on behalf of the director, officer, or employee to repay such amount, unless it shall ultimately be determined that they are entitled to be indemnified by DSO as authorized in this article.

SECTION 7.06 Rights of Persons Indemnified

The indemnification provided by this article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of members, or disinterested director, or otherwise, both as to action in their official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, or employee, and shall inure to the benefit of the heirs, executors, and administrators of such person.

SECTION 7.07 Insurance Coverage

DSO may purchase and maintain insurance on behalf of any person who is or was a director, officer, or employee of DSO, or who is an association, corporation, limited liability company, partnership, joint venture, trust, or other enterprise or entity, against liability asserted against such person and incurred by such person in any capacity, or arising out of the status of such person as such, whether or not DSO would have the power to indemnify such person against any liability under the provisions of this article.

ARTICLE VIII - COOPERATIVE OPERATION

SECTION 8.01 Nonprofit and Cooperative Operation

DSO shall operate on a nonprofit, cooperative basis for the mutual benefit of all members. DSO may not pay interest or dividends on capital furnished by patrons.

SECTION 8.02 Allocating and Crediting Capital

In operating DSO:

- (1) **Patron.** A patron is defined to include all members purchasing electric service from DSO. The board may also classify others who purchase other products or services from or through DSO as patrons.
- (2) **Capital Credits.** Patrons shall furnish and contribute to DSO, and DSO shall receive from patrons, as capital the amount (hereinafter “operating margins”) by which the funds and amounts received by DSO from patrons for providing a cooperative service (hereinafter “operating income”) exceed DSO’s costs and expenses of providing DSO service (hereinafter “operating cost”). DSO is specifically authorized to maintain one or more pools of income through which it determines the patronage sourced income that it is obligated to distribute.

For each service, DSO shall annually allocate to each patron, and pay by credit to a capital account for each patron, operating margins from DSO service in proportion to the value or quantity of DSO service used by each patron during the applicable fiscal year, i.e., capital credits. Capital credits must be treated as though DSO paid the capital credit amounts to each patron in cash pursuant to a pre-existing legal obligation, and each patron furnished or contributed the capital to DSO in the corresponding capital credit amounts.

If in any given year DSO’s operating costs exceed the operating income, then DSO shall

offset this loss with DSO's operating margins over the next succeeding future year(s).

- (3) **Affiliated Capital Credits**. If DSO is a member, owner, or patron of an entity providing goods or services used by DSO in providing a cooperative service (hereinafter "affiliated entity"), then, to the extent the affiliated entity allocates or credits funds, amounts, or capital to DSO (hereinafter "affiliated allocated capital credits") in proportion to the value or quantity of the goods or service used by DSO in providing DSO service, DSO may separately allocate and credit to patrons the affiliated allocated capital credits in proportion to the value or quantity of DSO's service used by each patron.
- (4) **Non-Operating Margins**. Other than operating margins, funds, and amounts received by DSO that exceed DSO's costs and expenses (hereinafter "nonoperating margins") may be:
 - a) allocated as capital credits to patrons in the same manner DSO allocates operating margins to patrons, or
 - b) retained, or
 - c) used by DSO as permanent, non-allocated capital, or
 - d) used to pay or offset any DSO cost or expense, or
 - e) used as otherwise determined or approved by the board.
- (5) **Partnership**. Subject to Section 8.02(3) hereof, for purposes of determining DSO's operating margins, non-operating margins, operating income, and operating cost, DSO shall consider any activities conducted by DSO through a partnership, limited liability company, or similar organization (hereinafter "partnership") and treat DSO's share of such activities as if they were conducted directly by DSO. In addition, for purposes of determining the capital credit to be allocated to a patron and paid to the capital for a patron, DSO shall consider its share of DSO service provided by a partnership to a patron as though DSO provided such service to such patron directly.
- (6) **Assignment and Notification**. Unless otherwise determined by the board or provided in these bylaws, capital credits, and affiliated capital credits may be assigned or transferred only upon a patron delivering a written assignment or transfer to DSO, the patron complying with any other reasonable requirement determined by the board, and the board approving the assignment or transfer.

DSO shall notify each patron in writing of the dollar amount of capital credits or affiliated capital credits allocated or credited to the patron during the applicable fiscal year.
- (7) **Joint Memberships**. DSO, upon receiving written notice and adequate proof of termination, conversion, or alteration, shall re-allocate and re-credit to each joint member a proportionate share of the capital credits and affiliated capital credits previously allocated and credited to the joint membership when it is terminated or converted unless otherwise instructed by a court or administrative body of competent jurisdiction. If a joint membership is terminated or converted through the death of one or more joint member(s), then DSO shall re-allocate and re-credit to the surviving joint member(s) all capital credits previously allocated and credited to the joint membership.

At any time prior to DSO's dissolution or liquidation and if the board determines that DSO's financial condition will not be adversely impacted, the board may authorize DSO to, and DSO shall, wholly or partially retire and refund capital credits to patrons and former patrons. If an affiliated entity retires and refunds capital credits, then the board may authorize DSO to, and DSO shall, retire and refund the corresponding affiliated capital credits to members and former members.

The board shall determine the manner, method, and timing of retiring and refunding capital credits and affiliated capital credits.

Upon a residential member becoming a former member or upon the death of any individual member or individual former member who is a natural person, and pursuant to a written request from the former or deceased member's legal representative, the board may retire the former or deceased member's capital credits and affiliated capital credits under terms and conditions agreed upon by the former or deceased member's legal representative and DSO.

As determined by the board, before the time DSO anticipates normally retiring and paying capital credits, DSO may retire some or all capital credits and pay the net present value of the retired capital credits. DSO may recoup, offset, or setoff any amount owed to DSO by the member or former member, including any compounded interest and late payment fees, by reducing the net present value amount of retired capital credits paid to the member or former member by the amount owed to DSO.

ARTICLE IX - DISPOSITION AND PLEDGE OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

SECTION 9.01 Disposition and Pledging of Property

- (1) The board, without authorization by the members, shall have full power and authority to authorize the sale, lease, lease-sale, exchange, or other disposition of less than a substantial portion of DSO's properties and assets ("substantial portion", as used in this section, means 10 percent (10%) or more of the fair market value of DSO's total properties and assets), and to authorize the execution of mortgages, or deeds of trust, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises, and permits of DSO, 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 DSO.
- (2) Not in conflict with, or in lieu of, but rather as supplementary to the other subsections of this section, the following procedures shall be followed in authorizing a sale, lease, lease-back, exchange, or other disposition of all or a substantial portion of DSO's properties and assets:
 - a) Before allowing any plan or proposal therefore to be submitted to the members, the board shall appoint at least one, but not more than three, independent appraisers expert in such matters, to render their individual opinions as to the fair market value of DSO's assets and properties, including its goodwill and current business value, and as to any other terms and conditions which, in their respective judgments, should be considered. The board, after receiving such appraisals (and other terms and conditions, if any), shall then give every other electric cooperative in Kansas (that has not submitted such a plan or proposal) an opportunity to submit competing plans or proposals. Such an opportunity shall be in the form of a written notice to such electric cooperatives, which notice shall attach a copy of the initial plan or proposal being then considered and a copy of the reports of the appraisers. Such electric cooperatives shall be given not less than 30 days within which to submit competing plans or proposals, and the actual minimum period within which plans

or proposals are to be submitted shall be stated in the written notice given to them.

- b) If the board then determines that favorable consideration should be given to the initial or any subsequent proposal, it shall adopt a resolution to that effect and so notify members, expressing in detail each of any proposals, and shall call a special meeting of the members for consideration thereof, which meeting shall be held not sooner than 20 days nor later than 50 days after the giving of such notice to the members, provided that consideration thereof by the members may be had at the next annual member meeting if the board so determines and if such annual meeting is held not sooner than 20 days nor later than 50 days after the giving of such notice.
 - c) 10 percent (10%) or more of the members, by so petitioning the board not less than 20 days before the date of the special or annual meeting of the members at which such a plan or proposal will be considered, may cause DSO, with the cost to be borne by DSO, to mail to all other members at least 10 days prior to such member meeting, any opposing positions or alternate plans or proposals that the petitioners may have.
 - d) Any such proposal shall be deemed adopted if approved by a majority vote of the members voting thereon.
 - e) The provisions of this section shall not apply to any sale, lease, or other disposition to another Kansas electric cooperative if the legal or substantive effect of such sale, lease, or other disposition is a merger or consolidation pursuant to the act under which DSO is incorporated.
- (3) Otherwise, DSO may not sell, lease, mortgage, encumber, or otherwise dispose of all or any substantial portion of its property, unless such action is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all members of DSO, and unless the notice of such proposed sale, lease, mortgage, encumbrance, or other disposition shall have been contained in the notice of meeting.

SECTION 9.02 Distribution of Surplus Assets on Dissolution

Upon DSO's dissolution, any assets remaining after all of DSO's liabilities and obligations, including outstanding capital credits, have been satisfied or discharged or a plan therefore appropriately established, shall be distributed in accordance with the provisions of these bylaws and applicable laws, including but not limited to the Kansas Electric Cooperative Act.

ARTICLE X - SEAL

SECTION 10.01 Corporate Seal

The corporate seal of DSO shall have inscribed thereon the name of DSO and the words: "Corporate Seal, Kansas".

ARTICLE XI - FINANCIAL TRANSACTIONS

SECTION 11.01 Contracts

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

SECTION 11.02 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 DSO shall be signed or countersigned by such officers, agents, or employees of DSO in such manner as shall be determined by resolution of the board.

SECTION 11.03 Deposits

All funds of DSO, exclusive of petty cash, shall be deposited to the credit of DSO in such banks as the board may select.

SECTION 11.04 Fiscal Year

The fiscal year of DSO shall begin on the first day of January of each year and shall end on the 31st day of December of the same year.

ARTICLE XII - MISCELLANEOUS

SECTION 12.01 Membership in Other Organizations

DSO may become a member or purchase stock in other profit or nonprofit organizations, associations, corporations, limited liability companies, cooperatives, partnerships, joint ventures, or other entities when the board finds that the general and long-term interests of the membership will be served by such investments or participation.

SECTION 12.02 Waiver of Notice

Any member or director may, either before or after the meeting, waive, in writing, any notice of the meeting required by these bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting, 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 12.03 Rules, Regulations, Rate Schedules, and Contracts

In addition to the powers conferred upon the board by law, the board shall have power to make, adopt, amend, abolish, and promulgate such rules, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or DSO's articles of incorporation or bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of DSO.

SECTION 12.04 Rules of Order

Parliamentary procedure at all meetings of the members, of the board, of any committee provided for in these bylaws, and of any other committee shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is not otherwise determined by law or by DSO's articles of incorporation or bylaws.

SECTION 12.05 Accounting System and Reports

The board shall establish and maintain a complete accounting system in conformance with Generally Accepted Accounting Practices (GAAP) or other regulatory authority. The board shall also annually engage a certified public accountant to conduct a full and complete audit of the accounts, books, and financial condition of DSO.

ARTICLE XIII - AMENDMENTS OF BYLAWS

SECTION 13.01 Amendments

These bylaws may be altered, amended, or repealed by members at any annual or special member meeting by the affirmative vote of the majority of members voting thereon, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.