

BYLAWS



THE
BROWN-ATCHISON ELECTRIC
COOPERATIVE ASSOCIATION, INC.
Horton, Kansas

As Amended Prior To And On
February 22, 2007

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

**ARTICLE I
Membership**

Section 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member in The Brown-Atchison Electric Cooperative Association, Inc., (hereinafter called the "Cooperative") by: (a) filing a written application for membership therein; (b) agreeing to purchase from the Cooperative electric energy as hereinafter specified; (c) agreeing to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any amendments thereto, and any rules and regulations adopted by the board of trustees; and (d) paying the membership fee hereinafter specified; provided, however that no person, firm, association, corporation or body politic or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the board of trustees or the members. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable.

At each meeting of the members held subsequent to the expiration of a period of six months from the date of incorporation of the Cooperative, all applications received more than ninety days prior to such meeting which have not been accepted or which have been rejected by the board of trustees shall be submitted by the Secretary to such meeting, and subject to compliance by the applicant with the requirements hereinabove set forth, any such application may be accepted by vote of the members. The Secretary shall give each applicant at least ten days written notice of the date of the members' meeting to which his application will be submitted and such applicant shall be entitled to be present and heard at the meeting.

Section 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the board of trustees. 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 for in cash. In case a certificate is lost, destroyed or mutilated a new certificate may be issued therefore upon such uniform terms and indemnity to the Cooperative as the board of trustees may prescribe.

Section 3. Joint Membership. A husband and wife may apply for a joint membership and,

subject to their compliance with the requirements set forth in Section 1 of 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 the 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 shall have the effect of revoking a proxy executed by either or both 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: provided, that if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote.

(c) A proxy executed by either or both shall constitute one joint proxy;

(d) A waiver of notice signed by either or both shall constitute a joint waiver;

(e) Notice to either shall constitute notice to both;

(f) Expulsion of either shall terminate the joint membership;

(g) Withdrawal of either shall terminate the joint membership;

(h) Either but not both may be elected or appointed as an officer or trustee, provided that both meet the qualifications for such office.

Section 4. Conversion of Membership.

(a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement of such holder and his or her spouse to comply with the articles of incorporation, and bylaws and any amendments thereto, and rules and regulations adopted by the board of trustees. The outstanding membership certificates 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.

(c) Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joint; provided, that the other spouse shall not be released from debts due the Cooperative prior to the date of the decree ordering legal separation or divorce.

Section 5. Membership and Service Connection Fees. The membership fee shall be twenty-five dollars, upon the payment of which a member shall be eligible for one service connection.

Section 6. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in this application for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by the board of trustees; provided, however, that the board of trustees may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. Each member shall pay the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the board of trustees from time to time. Each member shall also pay all amounts owed to the Cooperative as and when the same shall become due and payable.

Section 7. Termination of Membership.

(a) Any member may withdraw from membership upon compliance with such uniform

terms and conditions as the board of trustees may prescribe. The board of trustees of the Cooperative may, by the affirmative vote of not less than two-thirds of all the trustees, expel any member who fails to comply with any of the provisions of the articles of incorporation, and bylaws and any amendments thereto, or rules or regulations adopted by the board of trustees, but only if such members shall have been given written notice personally or by mail to his address appearing on the books of the Cooperative by the Secretary of the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any person so expelled may, by delivering written notice to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such membership meeting. At the meeting, the members may vote approval or disapproval of such expulsion by a vote of a majority of the members. If the expulsion is disapproved, the membership shall be reinstated retroactively to at least the date of expulsion. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or of a member to whom electric energy has not been made available for two years after he becomes a member, or who has ceased for six (6) months to purchase energy from the Cooperative, shall be cancelled by resolution of the board of trustees without any notice.

(b) Any expelled member may be reinstated by a two-thirds (2/3) majority vote of the board of trustees or by a majority vote of the members at any regular or special meeting of either.

(c) Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall terminate thereupon 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 estate from any debts due the Cooperative.

(d) In case of withdrawal or termination of membership in any manner, the Cooperative will repay to the member or his estate, upon surrender of the membership certificate, the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the member to the Cooperative; and provided further that if membership certificate is not surrendered to the Cooperative within five (5) years after such withdrawal or termination all rights to the repayment provided for herein shall be forfeited.

(e) Upon termination of electric service, in compliance with the termination procedure contained within the Cooperative's Rules and Regulations, the person's membership shall be automatically suspended, During the period of suspension, the suspended member shall not be entitled to cast a vote at any meeting of the members. The suspended membership shall be automatically reinstated upon restoration of electric service in compliance with the Cooperative's Rules and Regulations.

ARTICLE II

Rights and Liabilities of Members

Section 1. Property Interest of Members. Members shall have no individual or separate interest in the property or assets of the Cooperative except that upon dissolution the property and assets of the Cooperative remaining after all debts and liabilities of the Cooperative are paid, shall be distributed among the members and former member in the proportion which the aggregate patronage of each bears to the total patronage of all members during the seven years next preceding the date of the filing of the certificate of dissolution, or the date of dissolution by operation of law, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

Section 2. Non-Liability of 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. Compliance With PURPA (Public Utilities Regulatory Policies Act). Each member, for so long as such premises are owned or directly occupied or used by the member, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to their membership. 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. Compensation for co-generation shall be in accordance with the rules, regulations, rate schedules, and tariffs established by the board of trustees.

ARTICLE III Meetings of Members

Section 1. Annual Meeting. The annual meeting of the members shall be held during the month of February each year at a date in February to be determined by the board of trustees at such place in the counties of Brown, Atchison or Jackson, State of Kansas, as shall be designated in the notice of the meeting, for the purpose of electing trustees, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board of trustees to make adequate plans and preparations for the annual meeting. The president of the board of trustees of the Cooperative presides at the annual meeting while the attorney for the Cooperative chairs the annual meeting. Roberts Rules of Order shall govern this meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meeting. Special meetings of the members may be called by resolution of the board of trustees, or upon a written request signed by any three trustees, 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 meeting of the members may be held at any place within the counties of Brown, Atchison or Jackson, 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 of which the meeting is called, shall be delivered not less than ten days nor more than twenty-five 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 address as it appears on the records of the Cooperative with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum. As long as the total number of members does not exceed one thousand, five per centum of the total number of members present in person shall constitute a quorum. In case the total number of members shall exceed one thousand, fifty members present in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice; provided, that the secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivering notice as prescribed in Article III, Section 3.

Section 5. Voting. Each member shall be entitled to only one vote. All questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the articles of incorporation or these bylaws. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to, or upon registration at, each member meeting of satisfactory evidence entitling

the person presenting the same to vote.

Section 6, Proxies. A member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be valid after sixty days from the date of its execution. No proxy shall be valid unless it shall designate the particular meeting at which it is to be voted and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. A member may give his proxy only to another member or to an adult relative (eighteen years of age or older, kinship as defined by the Kansas Probate Code), living in the same home with such member, and no person may hold more than three proxies at any meeting. The presence of a member at a meeting shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect same effect as if he had not executed a proxy.

Section 7. Order of Business. The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows:

1. Report on the number of members present in person or by proxy 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 notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, trustees and committees.
5. Election of trustees.
6. Unfinished business.
7. New business.
8. Adjournment.

Section 8. Suspended Memberships. Suspended members do not have a right to vote on any question at any membership meeting until their membership status is reinstated.

ARTICLE IV

Trustees

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of nine trustees 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. The nine trustees shall be selected from geographical areas as follows: three trustees shall be selected from areas serviced by the Cooperative in Brown County, Kansas; three trustees shall be selected from areas serviced by the Cooperative in Atchison and Doniphan Counties in Kansas; and three trustees shall be selected from areas serviced by the Cooperative in Jackson, Jefferson and Nemaha Counties in Kansas.

Section 2. Election and Tenure of Office. Trustees shall be elected by secret ballot at each annual meeting of the members by and from the members. Trustees shall be elected to a 3-year term of office. The trustees elected at the 2002 and 2003 annual meetings shall serve their full three-year term. The three trustees elected at the 2004 annual meeting and at annual meetings thereafter shall be elected from those individuals nominated as prescribed by Article IV, Section 4 below, which individuals shall be elected as follows: one from the area serviced by the Cooperative in Atchison and Doniphan Counties in Kansas; one from the area serviced by the Cooperative in Jackson, Jefferson and Nemaha Counties in Kansas; and one from the area serviced by the Cooperative in Brown County, Kansas. If an election of trustees shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, the board of trustees shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Trustees may be elected by a plurality vote of the members present.

Section 3. Qualifications. No person shall be eligible to become or remain a trustee or to hold any position of trust in the Cooperative who:

(a) is not a member of the Cooperative receiving service therefrom at his primary residential abode or (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 (c) who has not reached the age of majority or (d) who has been absent from six consecutive regular board meetings. Any officer of a Kansas farm corporation who satisfies the qualification individually to serve as a Cooperative trustee is eligible to hold this position.

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

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

Section 4. Nominations. It shall be the duty of the board of trustees to appoint, not less than thirty days nor more than ninety days before the date of a meeting of the members at which trustees are to be elected, a committee on nominations consisting of not less than six nor more than nine members who shall be selected as follows: no fewer than two nor more than three nominating committee members shall be selected from the area serviced by the Cooperative in Atchison and Doniphan Counties in Kansas; no fewer than two nor more than three nominating committee members shall be selected from the area serviced by the Cooperative in Jackson, Jefferson and Nemaha Counties in Kansas; and no fewer than two nor more than three nominating committee members shall be selected from the area serviced by the Cooperative in Brown County, Kansas. No officer or member of the board of trustees may serve on such committee. The committee, keeping in mind the requirements of Section 1 and 2 of Article IV above, shall prepare and post at the principal office of the Cooperative at least twenty-five days before the meeting a list of nominations for trustees which may include a greater number of candidates than are to be elected. Any fifteen or more members acting together may make other nominations by signed petition not less than twenty days prior to the meeting and the Secretary shall post such nominations at the same place where the list of nominations made by the committee is posted, provided that said nominations are consistent with the requirements of Section 1 and 2 of Article IV above. The Secretary shall mail with the notice of the meeting or separately, but at least ten days before the date of the meeting, a statement of the number of trustees to be elected and the names and addresses of the nominees, specifying separately the nominations made by the committee on nominations and also the nominations made by petition, if any. The chairman shall invite additional nominations from the floor, provided that any such nomination from the floor is consistent with the requirements of Section 1 and 2 of Article IV above, and nominations shall not be closed until at least one minute has passed during which no additional nomination has been made. No member may nominate more than one candidate.

Section 5. Removal of Trustees by Members. Any member may bring charges against a trustee 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 trustee by reason thereof. Such trustee 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 shall have the same opportunity. The question of the removal of such trustee 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 provided that the vacancy may only be filled by a member from the same geographical area of the removed trustee as further described in Section 1 and 2 of Article IV above.

Section 6. Vacancies. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of trustees by the members, a vacancy occurring in the

board of trustees shall be filled by the affirmative vote of a majority of the remaining trustees for the unexpired portion of the term provided that the vacancy is filled by a member from the same geographic area as further described in Section 1 and 2 of Article IV above as the departed trustee.

Section 7. Compensation. Trustees shall not receive any salary for their services as trustees, except that by resolution of the board of trustees a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of trustees, or any meeting where the trustee represents the Cooperative. No close relative of a trustee shall receive compensation for serving the Cooperative, unless specifically authorized by the board of trustees in event of an emergency.

ARTICLE V

Meeting of Trustees

Section 1. Regular Meetings. A regular meeting of the board of trustees shall be held without notice, immediately after, and at the same place as the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual membership meeting. A regular meeting of the board of trustees shall also be held monthly at such time and place in Brown, Atchison or Jackson County, Kansas, as the board of trustees may provide by resolution. 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 trustees may be called by the President or by any three trustees, 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 trustees calling the meeting shall fix the time and place (which shall be in Brown, Atchison, or Jackson County, Kansas), for the holding of the meeting.

Section 3. Notice of Trustees' Meeting. Written notice of the time, place and purpose of any special meeting of the board of trustees shall be delivered to each trustee not less than five days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty of the Secretary, by the President or the trustees calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

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

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 trustees from time to time. The offices of Secretary and of Treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers shall be elected by ballot, annually by and from the board of trustees at the meeting of the board of trustees held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of trustees following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the board of trustees for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by Trustees. Any officer or agent elected or appointed by the board of trustees may be removed by the board of trustees whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, 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 shall have the same opportunity. In the event the board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

Section 4. President. The President shall:

(a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the board of trustees, shall preside at all meetings of the members and the board of trustees;

(b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the board of trustees or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of trustees or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

(c) in general perform all duties incident to the office of President, and such other duties as may be prescribed by the board of trustees from time to time.

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

Section 6. Secretary. The Secretary shall:

(a) keep the minutes of the meetings of the members and of the board of trustees in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with those bylaws or as required by law;

(c) be custodian 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 trustees or the members;

(f) have general charge of the books of the Cooperative;

(g) keep 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 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 by the board of trustees.

Section 7. Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative;

(b) be responsible for the receipt of and the issuance of receipts of all moneys due and payable to the Cooperative and for the deposit *or investment of* all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and

(c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the board of trustees.

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

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

Section 10. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the board of trustees, 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

Disposition of Revenues and Receipts

Section 1. Apportionment of Revenues. The board of trustees shall apportion the revenues of the Cooperative for any fiscal year for the following purposes in the order named:

1. To pay or provide for expenses of operation and maintenance of its facilities during such fiscal year;

2. To provide a reasonable reserve for working capital;

3. To pay or provide for the payment of interest due in such fiscal year;

4. To pay or provide for the payment of principal obligations due in such fiscal year;

5. To provide a reserve for the payment of indebtedness of the Cooperative in an amount not less than the total of the interest and principal payments in respect thereof required to be made during the next following year;

6. To finance, or to provide a reserve for the financing of, the construction or acquisition by the Cooperative of additional facilities to the extent determined by the board of trustees.

Nothing herein contained shall be construed to prohibit the payment by the Cooperative of all or any part of its indebtedness prior to the date the same shall become due.

Section 2. Non-Profit Operation. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefits of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 3. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts **heretofore and hereafter** received and receivable from the furnishing of electrical energy in excess of operating costs and expense 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, members and non-members alike, as

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.

Section 4. Non-Operating Income. Income incidental to the business such as income derived from the lease of premises, from investments in securities, from the sale of merchandise and incidental labor, from the sale or exchange of capital assets and business done with the United States, shall be allocated to patrons in direct proration and capital furnished pursuant to the preceding section of these bylaws and in compliance with K.S.A. 17-4612.

Section 5. Retirements of Capital. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a prorata basis before any payments are made on accounts of property rights of members. If, at any time prior to dissolution or liquidation the board of trustees shall determine that the financial condition of the Cooperative shall not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part; however, **in no event may any such capital be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least 40% of the total assets of the Cooperative.** 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.

The board of trustees shall have the power to adopt rules providing for the separate retirement of that portion of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative.

Retirements of capital shall be mailed to the respective patrons shown by the books of the Cooperative to be entitled thereto, by first-class mail, postage prepaid, to their last known addresses as they appear on the books of the Cooperative, and in the event that the retirement of any patron is returned by the post office department because of the address of such patron being unknown, the total capital credited to such patron shall, at the end of the fiscal year in which such retirements were ordered, if not theretofore claimed, be charged against such patron's account and credited to the operating fund of the Cooperative. If such patron at any time thereafter shall establish his right to such capital, the Cooperative shall be obligated to restore capital to such patron's account and to retire to such patron the capital theretofore ordered retired.

If any indebtedness due the Cooperative from any member or former member or patron shall, in the opinion of the board of trustees, be uncollectable, such indebtedness may be charged against the capital credit or credits of the debtor.

If the Cooperative has taken every effort to locate the patron or their legal representative entitled to a capital credits retirement payment, refund of membership or meter deposit, and is unable to locate said patron or representative, then, and in that case after the expiration of five (5) years since retirement of the capital credits or refund of the membership and meter deposits were directed by the Board of Trustees of the Brown-Atchison Electric Cooperative Association, Inc., said capital credit payment or membership and meter deposit shall become the property of the Cooperative as a gift from the patron entitled to the same.

Section 5A. Retirement of Capital Credited to Deceased Patrons Who Were Natural Persons. Notwithstanding any other provisions of these bylaws, the board of trustees, at its discretion, shall have the power at any time to retire capital credited to patrons hereafter deceased, or credited to patrons heretofore deceased, or both, prior to the time such capital would otherwise be returned under the provisions of these bylaws, if the legal representatives of such decedent's estate shall request in writing the immediate retirement of such capital, upon such

terms and conditions as the board of trustees, acting under policies of general application, and the legal representatives of such patron's estate, shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Section 6. Assignment of Capital. Capital credits to the account of each patron shall be assignable by such patron, or by the personal representative or next of kin of any deceased patron, only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative, unless the board of trustees, acting under policies of general application, shall determine otherwise.

Section 7. Operating Deficits. In the event the Cooperative suffers a loss during a fiscal year, the board of trustees shall allocate no capital credits to the members. This deficit shall be recovered in future years by non-operating income. Until such a time as this deficit is recovered, non-operating income will not be allocated to the members as a capital credit.

Section 8. Effect of Articles of Conversion and Bylaws. The patrons of the Cooperative by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Conversion and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and 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 VII of the bylaws shall be called to the attention of each patron of the Cooperative by posting a copy of this Article VII in a conspicuous place in the Cooperative's office.

ARTICLE VIII Disposition of Property

The Cooperative may not sell or lease all or any substantial portion of its property unless such sale or lease is authorized at a meeting of the members by the affirmative vote of not less than a majority of all the members of the Cooperative, and unless the notice of such proposed sale or lease shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of trustees of the Cooperative, without authorization by the members thereof, shall have full power and authority at any regular meeting of such board at which all members thereof are present and on the affirmative vote of not less than a majority thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trustee upon, or the pledging or encumbering of, any or all of the property assets, rights, privileges, licenses, franchises or 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 trustees shall determine, to secure the payment of any indebtedness of the Cooperative.

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 trustees 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 trustees.

Section 3. Deposits. All funds of the Cooperative shall be deposited and/or invested from time to time to the credit of the Cooperative in such bank or banks as the board of trustees 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. Membership in Other Organizations. The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may upon the authorization of the board of trustees, purchase stock in or become a member of any corporation organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of REA, of any other corporation for the purpose of acquiring electric facilities.

Section 2. Waiver of Notice. Any member or trustee may waive in writing any notice of a meeting required to be given by these bylaws, either before or after such meeting. The attendance of a member or trustee at any meeting shall constitute a waiver of notice of such meeting by such member or trustee, except in case a member or trustee 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 trustees shall have power to make and adopt such rules and regulations, not inconsistent with law, the articles of incorporation of 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 trustees shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Electrification Administration of United States of America. All accounts of the Cooperative shall be examined by a committee of the board of trustees which shall render reports to the board of trustees at least four times a year at regular meetings of the board of trustees. The board of trustees shall also select an annual audit date and a certified public accounting firm to make a full and complete audit of the accounts, books and financial condition of the Cooperative as the annual audit date. Such audit reports as it makes shall be submitted to the members at the next following annual meeting.

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.

ARTICLE XIII Indemnification

The Cooperative shall indemnify any person or such person's estate or personal representative who was or is a party, or is threatened to be made a party to any pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a trustee, officer, employee or agent of the cooperative, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding including attorney's fees, to the full extent permitted by law, upon a determination that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Cooperative; and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

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

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

Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the Cooperative in advance of the final disposition of such action, suit or proceeding as authorized; provided, however, such person shall agree to repay all amounts advanced unless it shall ultimately be determined that such person is entitled to be indemnified by the Cooperative.

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

STATEMENT OF NONDISCRIMINATION

The Brown-Atchison Electric Cooperative Association, 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 ground 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 organization.

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, the Rural Electrification Administration or this organization, or all, a written complaint. Identity of complainants will be kept confidential except to the extent necessary to carry out the purposes of the Rules and Regulations.