

ARTICLE IV DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by the Board of nine (9) Directors which shall exercise all of the powers of the Association , except such as are by law or by the Certificate of Incorporation of the Association or by these Bylaws conferred upon or reserved to the members.

Section 2. Qualification and Tenure. (a) The persons elected as Directors as provided for herein shall comprise the Board of Directors until the next annual meeting and election or until their successors shall have been elected and shall have qualified, except as hereinafter set forth when a Director has been removed for cause.

(b) No member shall be eligible to become or remain a Director or shall hold a position of trust in K.C. Electric Association, Inc. who is not a bona fide resident of the particular District which he or she is to represent. Nothing in this section shall effect or be construed to effect in any manner whatsoever, the validity of any action taken at any meeting of this Board of Directors in which such Director did participate prior to the discovery that such Director is not qualified to act as a Director for K.C. Electric Association, Inc.

(c) When a membership is held jointly, either person, but not both, may be nominated and elected to serve as a Member of the Board of Directors.

Section 3.1 Nomination and Election of Directors. (a) There shall be appointed by the Board of Directors of K.C. Electric Association, Inc. a Colorado cooperative corporation, a Nominating Committee for the purpose of nominating candidates to fill vacancies in the Board of Directors of the Association at the election held at the annual meeting of the members of the Association, as provided for by the Bylaws of the Association.

(b) All members of the Nominating Committee shall be at least eighteen (18) years of age or older and shall be members of the Association. At least one (1) person who meets the age and membership requirements and resides in the same county as the Director whose term is expiring, shall be appointed to the Nominating Committee.

(c) The Nominating Committee shall be appointed by the Board of Directors at least one hundred twenty (120) days prior to the next annual meeting, and shall submit their nominations to the Board of Directors of the Association, for acceptance and ratification at the regular meeting of the Board of Directors, held at least sixty (60) days prior to the next annual meeting.

(d) The Board of Directors shall accept and ratify the nominations submitted by the Committee unless the Board of Directors does find and determine that any one candidate or candidates do not meet the requirements heretofore set forth. In the event that the Board of Directors shall find that any candidate does not qualify, then the Nominating Committee shall be notified forthwith, regarding such candidate, and the reason for the disapproval. Thereafter, the Committee shall nominate a qualified candidate to take the place of the candidate who was disapproved for cause. The Committee shall nominate a qualified

candidate within forty-five (45) days of receiving notification of the Board's disapproval of the original non-qualifying candidate.

(e) The provisions hereof shall, in no way, limit nominations from the floor at the annual meeting for candidates to fill expiring terms on the Board of Directors of the Association, as otherwise provided for by the Bylaws of the Association.

(f) A nomination for Director to serve on the Board of Directors of K.C. Electric Association, Inc. may be made by written petition signed by at least fifteen (15) members of the Association, and filed with the Secretary of the Board of Directors of the Association at its principal office no later than forty-five (45) days prior to the date of the election. Any petition so filed shall designate the name of the nominee and the term for which nominated. The name of the nominee shall appear on the ballot if the nominating petition is in substantial conformity with this Section as determined by the Secretary of the Board.

Section 3.2 Nominations of Qualified Members to Fill Expiring Terms of Members on the Board of Directors.

The information on how to become a candidate to fill expiring terms on the Board of Directors and the time period within which to become a candidate shall be communicated to each member of the Association by mail and on the website of the Association within the time period set forth by the statutes of the State of Colorado.

Section 3.3 Election of Qualified Members to the Board of Directors. (a) Qualified Directors shall be elected at the annual meeting of the members of the Association and the Board of Directors.

(b) The date of the election and the annual meeting of the members of the Association shall be fixed, posted on the Association website and otherwise published within the time period set by the statutes of the State of Colorado.

(c) Directors shall be elected for a term which shall expire at the third annual meeting of the members of the Association after their election to the Board of Directors, or until their successor is duly nominated, elected and qualified.

(d) Directors elected from any District shall be residents of such district. Election of Directors shall be by written ballot. The candidate or candidates from each district receiving the greatest number of votes shall be considered to be elected as a Director or Directors.

(e) Candidates for positions on the Board of Directors, as well as incumbent Directors, shall not have access to the Association's membership list. If by vote of the Board, such access is allowed, then candidates for a position on the Board of Directors shall be entitled to receive membership lists in a usable format and at the same time as such membership lists are made available to incumbent Directors running for re-election. In such cases, candidates and incumbents shall use such lists only for the purpose of any election and shall return or destroy them immediately after the election.

(f) Only one member of a multiple membership with K.C. Electric Association, Inc. can vote in an election of candidates for a position on the Board of Directors at an annual or special meeting of the members held in whole or in part for this purpose; voting by mail or at the annual or special meeting of

the members will be allowed, but a member may not vote by mail and again at the annual or special meeting.

(g) The order of names on any ballot used in an election of a member to a position on the Board of Directors of the Association shall be determined randomly in a manner that does not automatically assign the top line to the incumbent Director.

(h) K.C. Electric Association, Inc. shall collect and store all ballot envelopes in a manner that protects the privacy of their content.

(i) All candidates for the Board of Directors shall be given the opportunity to be present to observe ballot tabulation. No candidate-designees will be allowed to be present in lieu of the candidate or with the candidate.

(j) Voting for Directors on the Board of Directors by proxy or cumulative voting is prohibited.

(k) Neither K.C. Electric Association, Inc. nor the Board of Directors shall endorse or oppose the candidacy of an incumbent Board Member or other candidate for a position of the Board. During the two months immediately preceding the election, Board Members shall not send individual newsletters using K.C. Electric Association, Inc.'s resources.

Section 4. Vacancies. Vacancies occurring on the Board of Directors of the Association caused by death, voluntary resignation, or otherwise shall be filled by a majority vote of the remaining Directors. The Director or Directors so elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified. The member elected as the Director to fill the vacancy must reside in the same District of the Director to whose office he succeeds.

Section 5. Removal of Directors and Officers. (a) A Director or an officer, or both, may be removed for cause at any time by the members pursuant to the procedure set forth in this Section.

(b) The term "for cause" as used in this Section is defined as being malfeasance in office; that is the commission of an act which is unlawful or wrongful which affects, interrupts, or interferes with the performance of office duties.

(c) Any member of the Association may bring charges against an individual Director or an individual officer by setting forth all charges against that individual in a written petition filed with the General Manager of the Association at the main office of the Association. The General Manager shall notify the Secretary of the Association forthwith of the filing of the petition. Under no circumstances shall the petition be filed against more than one Director or one officer.

(d) The petition must be signed not only by the member or members bringing the charges but in addition, the petition must be signed by at least fifteen percent (15%) of the then total members of the Association and shall contain at least the following, to-wit:

1. The specific charges or causes for removal of the Director and/or officer.
2. The name of the Director or officer, or both, against whom the charges or causes are brought.
3. A request for a special meeting of the members, the purpose of which shall be to hear and act upon the specific causes stated in the petition for the removal of the Director and/or officer.
4. The name and address of the member and/or members who is or are bringing the specific charges or causes for removal of the Director and/or officer.

5. The member and/or members filing the petition shall execute the petition in exactly the same way as their name and address appears on the books of the Association.

6. All members signing the petition in support of the recall and removal of the Director and/or officer shall sign the petition and give their address exactly the same way that their name and address appears on the books of the Association.

(e) The Secretary, upon receipt of the petition, shall cause Notice of the filing of the petition to be given to each of the members of the Association by regular mail. Such Notice shall contain at least the following, to-wit:

1. A complete statement of the charges and/or causes for recall and removal as set forth in the petition. A copy of the petition is to be available for review in the Association's main office.

2. The name and address of the Director and/or officer against whom the charges and causes for recall and removal have been made.

3. The date, time, and place for the special meeting of the members and the purpose of the meeting. The Secretary, or in the absence of the Secretary, the Manager of the Association, shall set a date, time, and place for the special meeting which shall not be sooner than sixty (60) days from the date the petition is filed in the main office of the Association.

4. The Notice of the meeting shall be given to all members at least thirty (30) days prior to the meeting. Notice shall be considered to have been given upon the date the Notice is mailed, postage prepaid in a United States post office. The Notice is to be mailed to each member by the name and address of such member as it appears on the books of the Association. The Association and/or Secretary shall not be responsible for the delivery of any such Notice.

Upon completion of the mailing of the Notice, the Secretary shall certify in writing that such mailing was made, the date, time, and place such mailing was made, and that each envelope contained sufficient postage to carry it to the destination.

5. The place of the special meeting shall be located within the area served by the Association.

6. The date of the meeting shall be within any week, Monday through Friday.

7. The starting time of the meeting shall be any time after 1:00 p.m. and before 8:01 p.m. of the day upon which the meeting is to be held.

8. The meeting shall be conducted by the President of the Board of Directors, or in his absence or in the event of a conflict of interest, the Vice-President shall conduct the meeting or in his absence or in the event of a conflict of interest, the meeting shall be conducted by a person appointed by a majority vote of the Members of the then Board of Directors. A conflict of interest shall exist as determined by a majority vote of the then Board of Directors.

9. The Secretary or someone designated by him shall record and take the Minutes of the meeting. The term "record" shall mean a full tape recording of the meeting from beginning to end.

10. The Secretary of the Association shall mail to the Director against whom charges and causes for recall and removal have been made a full, true and correct copy of the petition as filed within ten (10) days after the petition has been received by the Secretary. The copy of the petition shall be timely mailed by the Secretary to the Director involved to his address as set forth on the books of the Association by registered United States mail, postage prepaid, return receipt requested. The copy of the petition shall be

deemed to have been mailed and, therefore, given to the Director so charged upon the date the copy of the petition is mailed as provided herein.

(f) All parties involved shall have the right to be represented by an attorney of their choice and shall have the right to be heard, present witness and other evidence in support of their respective position. The person or persons bringing the charges and causes for recall and removal shall be heard first. The hearing shall be held informally. However, all witnesses shall be placed under oath and all parties in interest and all persons attending the meeting and hearings shall conduct themselves in an orderly manner, or they may be removed, forcibly or otherwise, by the master-at-arms appointed by the hearing officer. Any person so removed shall not again have access to the hearing or have the right to give testimony or present evidence. The decision of the hearing officer shall be final and shall not be subject to any right of review or appeal unless his action is arbitrary, or unreasonable.

(g) The hearing officer shall, after hearing all of the testimony and evidence regarding each Director charged, determine if, in fact, any evidence and/or testimony has been presented to support the charges and cause for recall and removal as set forth in the petition. In the event that no evidence or testimony is presented to support the charges and cause for recall and removal he shall so find and shall determine that there is no evidence to support the allegations of the petition and declare that the matter of recall shall not be submitted to a vote of the members.

In the event the hearing officer shall find that there is evidence and/or testimony presented to support the charges and cause for removal regarding a specific Director, the matter shall then be presented to the members for their vote.

(h) The question of the recall and removal of any Director shall be separately considered by the members, if more than one Director has been charged and cause presented for his recall and removal. The question of the recall and removal of such Director shall be put to a vote of the members upon ballots prepared by the Association, such vote to be by secret ballot.

After the members have separately voted on the question of recall and replacement of the Director charged, the votes of each such election shall be turned over to the voting judges appointed as hereinafter set forth for counting. After each set of ballots have been counted, the result shall be tallied and certified to the hearing officer, the hearing officer shall then read the result of each election. The majority vote shall be controlling. In the event that majority vote is "for the retention of the director," such Director shall be retained to fill out his unexpired term. In the event the majority vote is "against the retention of the director" he shall be deemed removed from his place on the Board of Directors and as an officer of the Association, if he was an officer and a vacancy shall exist on the Board of Directors. Such vacancy shall be filled as set forth in these Bylaws.

(i) The election judges, three (3) in number, shall be chosen by the hearing officer from the members of the Association. The election judges shall count the votes cast in any election.

(j) Any person who has filed or joined in a petition for recall and replacement of a Member of the Board of Directors and/or officer of this Association shall not be eligible to file or join in another petition for recall and replacement of a Director and/or officer which is filed prior to the next succeeding annual meeting of the members of the Association as provided for by the Bylaws of the Association.

Section 6. (a) Compensation. Board Members shall not receive any salary for their services as such, except that by Resolution of the Board of Directors, the Director may be reimbursed for expenses actually and necessarily incurred at meetings, conferences, training programs, and committee assignments, and may be granted a reasonable per diem allowance in lieu of detailed accounting for some of the expenses. No Board Member shall receive compensation for serving the Association in any other capacity, nor shall any close relative of a Board Member receive compensation for serving the Association.

(b) Incentive. The Board of Directors, from time to time, shall have the right by Resolution to provide reasonable incentives for qualified persons to serve on the Board of Directors, attend meetings such as NRECA and CREA annual meetings, workshops and educational seminars and other meetings. These incentives can be in the form of reimbursement for travel expenses, food, lodging and other out-of-pocket expenses, as well as life insurance, health insurance, travel insurance, and other incentive items. The Board of Directors, by Resolution, can include as incentives the reimbursement of the expenses incurred by Members of the Board of Directors to bring their spouses with them when they attend such meetings.

Section 7. Policies. The Board of Directors shall have the power to make and adopt such policies, not inconsistent with the law, the Certificate of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 8. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system, which among other things, subject to applicable laws and rules and regulations of any regulating body, shall conform to such accounting system as may, from time to time, be designated by the Administrator of the Rural Utility Service of the United States of America. The Board of Directors shall, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year.

Section 9. Indemnification. The Association shall indemnify any person made a party to any action, suit or proceeding, whether civil or criminal, by reason of the fact that he is or was a Director, officer, agent, or an employee of the Association or any affiliated organization, against the reasonable expenses, including attorney fees, actually and reasonable incurred by him in connection with the defense of the action, suit or proceeding or in connection with any appeal in it. This right of indemnification shall not apply in relation to matters as to which said person shall be judged in such action, suit or proceeding to be liable for culpable negligence or gross misconduct in the performance of duty. Gross misconduct shall not include mere error in judgment. The right to indemnification shall include the right to provide insurance coverage for such liability and shall not restrict the power of the Association, at its discretion, to pay the deductible amount provided for in any policy or policies of such insurance.

Section 10. Limitation of Liability. No person shall be liable to the Cooperative for any loss or damage suffered by it on account of any action taken or omitted to be taken by him as Director, officer, agent or employee of the Cooperative in good faith, if this person:

(a) Relied upon financial statements of the Cooperative represented to him to be correct by the President, other officer or employee of the Cooperative having charge of its books of account or stated in a written report by an independent public or certified public accountant or firm of such accounts fairly reflect the financial condition of the Cooperative; or considered the assets to be of their book value; or

(b) relied upon the advice of legal counsel for the Cooperative.