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**BYLAWS OF K.C. ELECTRIC ASSOCIATION**

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## **ARTICLE I DEFINITIONS**

**Section 1.** The terms Cooperative and Association as used throughout these Bylaws shall always refer to K.C. Electric Association, a Colorado cooperative corporation existing under the laws and statutes of the state of Colorado.

**Section 2.** When the use of the male gender is used throughout these Bylaws, such use shall include the female gender.

**Section 3.** Where a definition or description is used in the singular, such definition or description shall include the plural.

## **ARTICLE II MEMBERS**

**Section 1. Qualification and Obligations of Members.** Any person over 18 years of age, firm, corporation, or body politic may become a member in K.C. Electric Association by:

(a) Making a written application for membership therein, wherein they do agree:

1. To purchase from K.C. Electric Association electrical energy as hereinafter specified.
2. To comply with and be bound by the Articles of Incorporation, the Bylaws of K.C. Electric Association and by any policies adopted, from time to time, by the Board of Directors of K.C. Electric Association.

(b) No person shall become a member of the Board of Directors of this Association unless he or she shall be a qualified member of this Cooperative.

(c) No person, firm, corporation, or body politic may have more than one (1) membership in the Association.

(d) Persons who qualify to be members may hold a joint membership in the Cooperative. After October 18, 2012, a joint membership may consist only of individuals joined in a legally recognized relationship in the state of Colorado.

(e) When a membership is held jointly, upon the death of one person, such membership shall be deemed to be held solely by the survivor or survivors with the same effect as though such membership had been first issued to such survivors. K.C. Electric Association upon the receipt of a certified copy of the Death Certificate of one of the joint owners and the original Certificate of Membership, if available, and if one has been issued, shall thereafter cancel the Certificate and list the membership in the name of the survivor. In no event shall the Estate of the decedent or the survivors be released from the payment of any account, debt or other liability due K.C. Electric Association on the death of the decedent. Upon approval of the Board of Directors of the Association, a joint membership can be transferred by a written request of all members of the joint membership to any person or other entity eligible for membership in the Association as provided by these Bylaws.

(f) A membership may be converted to a joint membership upon the written request of all persons who wish to become a joint member. All persons will be required to comply with the conditions as heretofore set forth.

**Section 2. Purchase of Electric Energy.** Each consumer shall be a member of the Cooperative and as soon as electric energy shall be available, purchase from the Association, electric energy used on the premises, specified in the application for electric service, and shall pay, therefore, monthly at rates which shall, from time to time, be fixed by the Board of Directors. Production or use of electric energy on such premises, regardless of the source thereof by means of facilities which shall be interconnected with the Association facilities, shall be subject to appropriate regulations, as shall be fixed, from time to time, by the Association.

The Board of Directors may limit the amount of electric energy which the Cooperative may be required to furnish to any one consumer. It is expressly understood that amounts paid for electric energy in excess of the cost of service are considered capital, as furnished by consumers, as provided in these Bylaws. Each consumer shall pay all amounts owed by them to the Cooperative as and when the same shall become due and payable.

**Section 3. Non-Liability for Debts of the Cooperative.** The private property of the Members of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no Member shall be individually liable or responsible for any debts or liabilities of the Association.

**Section 4. Expulsion of Members and Termination of Membership.** The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of the Members of the Board of Directors, expel any member, terminate and cancel his membership, if such member shall have violated or refused to comply with any of the provisions of the Certificate of Incorporation of the Association, or these Bylaws, or any policies adopted, from time to time, by the Board of Directors. Any member so expelled, terminated and cancelled, may be reinstated as a member by a majority vote of the members or Board of Directors of the Association at any meeting.

**Section 5. Withdrawal of Membership.** Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

**Section 6. Transfer and Termination of Membership.** Single or joint membership in the Cooperative shall be transferrable, only upon the conditions hereinafter stated. Membership in the Cooperative shall be transferrable upon and subject to the approval of the Board of Directors, to any person, firm, corporation, or body politic who or which is eligible for membership in the Cooperative and becomes a member of the Cooperative upon the conditions set forth in these Bylaws. Upon the death, cessation of existence, termination, expulsion, cancellation, or withdrawal of a member, the membership of such member shall hereupon terminate, subject to the conclusion of any legal proceedings, if applicable, and the Certificate of Membership, if any, of such member shall be cancelled. Termination of membership in any manner shall operate as a release of all right, title and interest of the member in the

property and assets of the Association except otherwise provided herein; provided, however, that such termination of membership shall not release the member of his or her Estate from the debts or liabilities of such member to the Association.

**Section 7. Voting.** (a) Each member, including a joint membership, shall be entitled to only one (1) vote upon each matter submitted to a vote at any meeting of the members; except in the election of Directors. When the members of K.C. Electric Association are voting at an election to elect members to the Board of Directors of the Association each member, including a joint membership, shall have the right to vote for as many Directors as are to be elected from each District of the Association. In no event shall a member be entitled to cast more than one (1) vote for each member to be elected from each District to serve on the Board of Directors.

(b) The members when voting for candidates from each District to serve on the Board of Directors of the Association may vote either by mail or at any meeting of the members by casting their vote on an official ballot provided by the Association. A member who has voted by mail shall not be entitled to vote at the meeting. Before a ballot cast by mail in such election can be accepted as valid, it must be on a mail ballot provided by the Association. The mail ballot shall be voted by the member, placed in a special envelope provided for the purpose so as to conceal the marking on the ballot, deposited in a return envelope which must be signed by the voting member, and mailed back to the Association. The envelope must be signed by the member in order that the ballot cast can be checked against the membership list, thereby verifying the member's right to vote. The ballot so mailed shall not be considered as having been cast unless it has been received by K.C. Electric Association prior to the start of the annual meeting of the members.

(c) Voting by proxy or cumulative voting is prohibited at any and all meetings of the members.

(d) The ballot mailing deadline shall be posted on the website of the Association within the time period set forth by the statutes of the State of Colorado and shall remain so posted until after the election.

**Section 8.** The Association shall be permitted to serve members of this Association pursuant to the laws of the State of Colorado and the lawful rules and regulations of any agency or officer having jurisdiction over this Association.

### **ARTICLE III MEETINGS OF MEMBERS**

**Section 1.** A meeting of the membership shall be held annually for the purpose of electing Directors, passing along reports covering the previous fiscal year, and transacting such other business as may come before the meeting. The annual meeting shall be held at any place within the territory served by the Cooperative which may, from time to time, be designated by the Board of Directors, and at such time during each calendar year as may be designated, from time to time, by the Board of Directors. If the election of Directors shall not be held on the day designated for any annual meeting or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members or at the next annual meeting. Failure to hold the annual meeting at the designated time shall not cause a forfeiture or dissolution of the Cooperative.

**Section 2. Special Meetings.** Special meetings of the members may be called by a Resolution of the Board of Directors; or upon a written request signed by (1.) at least five (5) board members; (2.) by the President of the Association; or (3.) by at least fifteen percent (15%) of the members. Such written request shall be filed with the Secretary of K.C. Electric Association by filing the same in the main office of the Association with the General Manager of the Association. The written request shall clearly state the purpose of such special meeting and shall relate directly to the operation of K.C. Electric Association No other business shall be transacted at such special meeting than that specifically set forth in the request for the special meeting.

The Secretary shall cause Notice of such meeting, including the purpose thereof, to be given as hereinafter provided. Special meetings of members may be held at any place within the area served by the Association as designated by the Board.

**Section 3. Notice of Members' Meetings.** Public Notice of the time and place of the holding of each meeting shall be published not less than ten (10) or more than thirty (30) days previous thereto in all newspapers printed in the service area of the Cooperative. If there be no such newspaper, then in a newspaper printed in an adjoining county. Written or printed Notice stating the place, day, and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall also be delivered not less than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary or by the persons calling the meeting, to each member, and no business shall be transacted at such special meeting except as shall be mentioned in the Notice, provided, however, that in respect to all meetings at which Directors are to be elected, Notice shall be delivered either personally or by mail not less than thirty (30) days before the date of the meeting. If mailed, such Notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at the address as it appears on the records of the Association 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.

The date, time, location, and agenda of every meeting of the board of directors shall be posted on the Association's web site no less than ten days before the meeting in the case of a regular meeting and as soon as the meeting is scheduled in the case of a special meeting. Meeting postponements or cancellations shall immediately be posted on the web site.

**Section 4. Quorum.** A quorum for the transaction of all business including the election of Directors and amending the Certificate of Incorporation at all meetings of the members shall be five percent (5%) of all members or 50 members, whichever is less. At all meetings of the members at which a quorum is present all questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation of the Association, or by these Bylaws.

**Section 5. Voting Districts.** The territory served, or to be served by this Cooperative, shall be divided into the following Districts, to-wit:

- (a) Lincoln County,
- (b) Cheyenne County,
- (c) Kit Carson County,

in the state of Colorado.

Representatives from each District to serve upon the Board of Directors of the Association shall be as follows:

- (a) One (1) member of the Board of Directors shall be a resident of the Lincoln County District;
- (b) Three (3) members of the Board of Directors shall be residents of the Cheyenne County District;
- (c) Five (5) members of the Board of Directors shall be residents of the Kit Carson County District. Residents from the City of Burlington shall be deemed to be residents of the Kit Carson County District and shall, therefore, be eligible to serve upon the Board of Directors of K.C. Electric Association

**Section 6. 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 essentially as follows:

- (a) Report on number of members present in person to determine the existence of a quorum.
- (b) 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.
- (c) Reading of the unapproved Minutes of previous meetings of members and the taking of necessary action thereon.
- (d) Election of Directors.
- (e) Presentation and consideration of, and action upon, reports of officers, Directors and committees.
- (f) Unfinished Business.
- (g) New Business, if approved by the Board of Directors or submitted to the Board of Directors 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 annual meeting.
- (h) Adjournment.

## **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 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

(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 a Colorado cooperative corporation, an Election Committee for the purpose of receiving nominations from 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 and to monitor and ensure the integrity of the election procedure.

(b) The Election Committee shall consist of a member from each of the Association's Director Districts, an Association staff member, and the attorney for the Association. Except for the attorney and the staff member of the Association, to be a member of the Election Committee the individual shall be a member of the Association in good standing.

(c) The Election Committee shall be appointed by the Board of Directors at least one hundred twenty (120) days prior to the next annual meeting.

(d) The Election Committee shall accept and ratify the nominations unless the Election Committee does find and determine that any one candidate or candidates do not meet the requirements heretofore set forth. In the event that the Election Committee shall find that any candidate does not qualify, then the candidate shall be notified forthwith with the reason for the disapproval.

(e) Members may not nominate from the floor of a Member meeting an individual to run for election to a Director position scheduled for election at the Member meeting.

(f) A nomination for Director to serve on the Board of Directors of K.C. Electric Association may be made by written petition signed by at least fifteen (15) members of the Association, and filed with 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 and the nominee is a qualified candidate as determined by the Board.

(g) Notwithstanding the foregoing, if the number of qualified candidates nominated 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 3.2. 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, qualified and consents to take office as a Director.

(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 have access to the Association's membership list. 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 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 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. 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 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'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 General 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 audio 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 witnesses 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 by a hearing officer who shall be appointed by the Board of Directors. 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 for his time and effort thereto. No Board Member shall receive compensation for serving the Association in any other capacity.

**(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. General Manager.** The Board of Directors may appoint a General Manager who may be, but who shall not be required to be, a member of the Cooperative. The General Manager

shall perform such duties as the Board of Directors may, from time to time, require of him and shall have such authority as the Board of Directors may, from time to time, vest in him.

**Section 9. 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 Utilities 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 Association as of the end of such fiscal year.

**Section 10. 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 11. Limitation of Liability.** No person shall be liable to the Association 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 Association in good faith, if this person:

- (a) Relied upon financial statements of the Association represented to him to be correct by the President, other officer or employee of the Association 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 Association; or considered the assets to be of their book value; or
- (b) relied upon the advice of legal counsel for the Association.

## ARTICLE V MEETINGS OF DIRECTORS

**Section 1. Regular Meetings.** A regular meeting of the Board of Directors shall be a public meeting and shall be held at such time and place within the territory served by the Cooperative as the Board of Directors may provide by Resolution. Notice of the time and place of a meeting of the Board of Directors and a copy of the agenda for such meeting shall be posted in every service office maintained by the Association at least ten (10) days before the meeting. The agenda shall specifically designate the issues or questions to be discussed, or the actions to be taken, at the meeting. Copies of said agenda shall be available at each service office for members.

**Section 2. Public Comment.** (a) At every regular meeting of the Board of Directors, members of the Association shall be given the opportunity to address the Board on any matter concerning the policies and business of the Association. The Board may place reasonable viewpoint neutral restrictions on the amount and duration of public comment.

(b) Written Minutes shall be made and kept of all regular and special meetings of the Board of Directors. The Minutes shall be posted on the website of the Association as soon as they have been approved and shall remain posted for the time period set forth by the statutes of the State of Colorado. Upon request by a Director of the Board, that Director's own vote on any issue shall be noted in the Minutes.

**Section 3. Special Meetings.** Special meetings of the Board of Directors may be called by the President or any five (5) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place of the holding of any special meeting of the Board of Directors.

**Section 4. Notice-Special Meetings.** Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given by written Notice, emailed or delivered personally or mailed, to each Director at his last known address. If mailed, such Notice shall be deemed delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a Director at any meeting shall constitute a waiver of Notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

**Section 5. Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors provided; that if less than a majority of the Directors is present at said meeting, a majority of the Directors present may adjourn the meeting, from time to time, without further notice.

**Section 6. Manner of Action.** The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

## **ARTICLE VI OFFICERS**

**Section 1. Number.** The officers of the Association shall be a President, Vice-President, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors, from time to time. The 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 written ballot, annually, by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members, except that election of an officer by voice vote shall be allowed where only one candidate has been nominated for such office. If the election of officers shall not be held at such

meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been nominated, elected and qualified.

**Section 3. Removal.** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Association will be served thereby.

**Section 4. Vacancies.** Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

**Section 5. President.** The President:

(a) Shall be the principal executive officer of the Association and shall preside at all meetings of the members and of the Board of Directors;

(b) Shall sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and

(c) In general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors, from time to time.

**Section 6. Vice-President.** In the absence of the President, or in the event of his inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as, from time to time, may be assigned to him by the Board of Directors.

**Section 7. Secretary.** The Secretary shall be responsible for:

(a) Keeping the Minutes of the members' and the Board of Directors' meetings in one or more books provided for that purpose;

(b) Seeing that all Notices are duly given in accordance with these Bylaws or as required by law;

(c) Custodianship of the corporate records and of the Seal of the Association and seeing that the Seal of the Association is affixed to all documents, the execution of which, on behalf of the Association under its Seal, is duly authorized in accordance with the provisions of these Bylaws;

(d) Causing a register to be kept of the post office address of each member which shall be furnished to the Secretary by such member;

(e) Having general charge of the books of the Cooperative in which a record of the members is kept;

(f) Keeping on file at all times a complete copy of the Bylaws of the Association containing all amendments thereto, which copy shall always be open to the inspection of any member. Copies of the Bylaws and amendments thereto shall be furnished to any member upon request, at the expense of the Association; and



(g) In general, performing 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 Directors.

**Section 8. Treasurer.** The Treasurer shall be responsible for:

- (a) Custody of all funds and securities of the Association;
- (b) The receipt of and issuance of receipts for money due and payable to the Association from and source whatsoever, and depositing all such money in the name of the Association in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) The general performance of all duties incident to the office of Treasurer and such other duties as, from time to time, may be assigned to him by the Board of Directors.

**Section 9. Reports.** The Officers of the Cooperative shall submit, at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

**Section 10. Delegation of Duties.** In case of the death, or the temporary absence of any officer of the Association or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers and duties of any such officer to any other officer or to any Director or to the General Manager, provided a majority of the entire Board of Directors concurs therein.

## ARTICLE VII CONTRACTS, CHECKS AND DEPOSITS

**Section 1. Contracts.** Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Association, 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 Association shall be signed by such officer or officers, agent or agents, or employee or employees of the Association and in such manner as shall, from time to time, be determined by the Resolution of the Board of Directors.

**Section 3. Deposits.** All funds of the Association shall be deposited, from time to time, to the credit of the Association in such bank or banks as the Board of Directors may select. Association funds may be held in Savings and Loan Associations, U.S. Government obligations, Certificates of Deposit, or invested in rural development projects and organizations which will, in the opinion of a majority of the full Board of Directors, benefit the Association, subject, however, to any limitations contained in the terms of any mortgages or indentures issued by the Association or any policies adopted by the majority of the full Board of Directors.

## ARTICLE VIII NON-PROFIT OPERATION

**Section 1. Interest of Dividends on Capital Prohibited.** The Cooperative shall, at all times, be operated on a cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

**Section 2. Patronage Capital in Connection with Furnishing Electric Energy.** (a) In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all members 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 obliged to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses, except the discounted portion of early retirement, at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members as capital. The Cooperative is obligated to pay by credits to a capital account for each member 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 member is clearly reflected and credited in an appropriate record to the capital account of each member. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

(b) All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be used to offset any losses incurred during the current or any prior fiscal year, and to the extent not needed for that purpose, allocated to its members on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of members, as herein provided.

(c) 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 pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to member's account may be retired in full or in part by resolution of the Board of Directors. Any such retirement 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, except, where by Board Resolution it is determined that the interests of the Cooperative will be best served by the retirement of capital credits out of priority according to the year in which the capital was furnished and credited to the member.

(d) Capital credited to the account of each member shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such member's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

(e) Notwithstanding any other provisions of these Bylaws, the Board of Directors, at its sole and absolute discretion, upon written request of the personal and/or legal representative of a deceased member's Estate shall have the power and authority on a case to case basis to immediately retire the capital so credited to such member upon such terms and conditions as the Board of Directors, acting under policies of general application, and the personal and/or legal representative of the Estate of such deceased member shall mutually agree, provided, however, that the financial condition of the Association shall not be impaired by such agreement.

(f) To secure the payment of any and all indebtedness of any member, consumer, or other legal entity, this Cooperative shall have the first lien upon the capital investments, net margins and other property rights and interest in the Cooperative of such member, consumer or other entity.

No member, consumer, or other legal entity qualified to share in capital investments, net margins and other property rights and interests in the Cooperative shall be entitled to demand and receive an offset or setoff of margins and other property rights and interest retained by the Cooperative against any indebtedness or claim due the Cooperative from such person.

## **ARTICLE IX WAIVER OF NOTICE**

Any member or Director may waive, in writing, any Notice of meetings required to be given by these Bylaws.

## **ARTICLE X DISPOSITION OF PROPERTY**

The Association may not sell, mortgage, lease or otherwise dispose of or encumber any of its property, except the following:

(a) Real and personal property which, in the judgment of the Board of Directors, neither is nor will be necessary or useful in operating and maintaining the Association's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten percent (10%) of the value of all of the property of the Association;

(b) Services of all kinds, including electric energy;

(c) Personal property acquired for resale; unless such sale, lease or other disposition is authorized at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of all members entitled to vote thereon at such meeting in person. The Notice of such proposed sale, lease or other disposition shall have been contained in the Notice of any such meeting.

The terms "sell, lease or otherwise dispose of" as used in this article shall not include the execution and delivery of mortgages, or deeds of trust upon, or the pledging of or encumbering of any or all of the property, assets, licenses, franchises, or permits, or other things of value of the Association whether acquired or to be acquired and wherever situate, as well as any revenues and income there from; and

(d) All sales of real, personal or mixed property of the Association shall, at all times, be subject to limitations which may be set forth in any mortgages or other security documents.

**ARTICLE XI  
FISCAL YEAR**

The Fiscal Year of the Association shall begin on the 1<sup>st</sup> day of January of each year and end on the 31<sup>st</sup> day of December of each year.

**ARTICLE XII  
MEMBERSHIP IN OTHER ORGANIZATIONS**

The Association may not become a member of any other organization without the affirmative vote of the members at a meeting called as provided in these Bylaws, and the Notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business; provided, however, that the Directors shall have full power and authority to authorize the Association to purchase stock in or to become a member of any Association or Cooperative organized on a non-profit basis for the purpose of furthering rural electrification.

**ARTICLE XIII  
SEAL**

The Corporate Seal of the Association shall be in the form of a circle and have inscribed thereon the name of the Association and the words "Corporate Seal, Colorado."

**ARTICLE XIV  
AMENDMENTS**

These Bylaws may be altered, amended, or repealed by two-thirds (2/3) of the Directors at any regular or special meeting, provided the Notice of any such special meeting shall have contained a copy of the proposed alteration, amendment, or repeal, or by a majority of the members voting at any annual or special meeting of the members, provided the Notice of any special meeting shall have contained a copy of the proposed alteration, amendment or repeal.

The foregoing Bylaws including all amendments thereto passed and adopted, this 17th day of December, A.D., 2015, the same to become effective as of the same date.

# **Bylaws**

## **K.C. Electric Association**

**Revised, passed and adopted  
to be effective December 17, 2015**