



Electric Cooperative

# BYLAWS

A Touchstone Energy® Cooperative 

The Touchstone Energy logo consists of a stylized human figure in blue, with two arms raised. The arms are colored red and orange. Below the figure is a green arc.

# Bylaws and Articles of Incorporation

Revised July 10, 2007

*Our Product is Electricity  
Our Power is People  
Our Mission is Service*

## Bylaws

### The Lane-Scott Electric Cooperative, Inc.

(Adopted on July 10, 2007)

#### Article 1

#### Membership

**Section 1. Membership Eligibility.** Any person, firm, association, corporation, or body politic or subdivision thereof (“Applicant”) may become a member in THE LANE-SCOTT ELECTRIC COOPERATIVE, INC. (hereinafter called the “Cooperative”) by

- (a) Filing a written application for membership therein;
- (b) Agreeing to purchase Electric Service from the Cooperative as hereinafter specified; and,
- (c) Agreeing to comply with and be bound by the articles of incorporation and bylaws of the Cooperative, any policies, rules and regulations (collectively, “Governing Documents”) adopted by the board of trustees (“Board”), and all applicable law and legally binding agreements regarding the Cooperative (collectively, “Law”).

No Person may hold more than one (1) Cooperative membership. Unless required by Law or otherwise provided in these Bylaws, and unless allowed in writing by the Cooperative’s Board, no Cooperative membership, and no right or privilege associated with Cooperative membership, may be sold, purchased, assigned, or otherwise transferred.

**Section 2. Automatic Membership.** Unless the Board determines otherwise as provided in these Bylaws, upon:

1. Completing the membership procedure to the Cooperative’s satisfaction; and
2. Using, receiving, or purchasing any Electric Service from the Cooperative, an Applicant automatically becomes a member of the Cooperative effective the date the Applicant began using, receiving, or purchasing Electric Service from the Cooperative (“Member”).

The Cooperative may issue membership certificates to each Member in a manner, method, and form determined by the Board.

If the Board determines that any Applicant is unable to comply with the Governing Documents, or for other good cause determined by the Board, the Board may refuse the Applicant membership in the Cooperative.

If the Board refuses membership to any Applicant, then the Cooperative shall return

to the Applicant any amounts paid to the Cooperative by the Applicant other than:

1. Amounts paid for using, receiving, or purchasing any Electrical Service from the Cooperative.
2. Outstanding amounts previously owed the Cooperative, and any associated interest or late payment charges.

**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 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 constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute a joint waiver;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or trustee provided that both meet the qualifications for such and under reasonable terms and conditions determined by the Cooperative;
- (h) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor, and shall be reissued in such a 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.
- (i) Upon the dissolution of the joint membership other than by the death of one joint member and after the Cooperative is notified of the dissolution, such membership shall be divided as the joint members agree or as ordered, or if there is no agreement or order, equally into two memberships. Membership shall be reissued in such manner as shall indicate the changed membership status. Both joint members shall not be released from any debts due the Cooperative prior to the dissolution.

**Section 4. Conversion of Membership.** A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws and rules and regulations adopted by the board of trustees. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative, in such manner as shall indicate the changed membership status.

**Section 5. Provision of Cooperative Services.** The term “Cooperative Services” includes:

As required or allowed by Law, using, receiving, or purchasing any service, product, commodity, equipment, or facility from or through the Cooperative reasonably related to the Cooperative furnishing, or the Person receiving, electric energy; or

As required or allowed by Law, using, receiving, or purchasing any other service, product, commodity, equipment, or facility from or through the Cooperative.

The Cooperative shall provide Cooperative Services to members in a reasonable manner. The cooperative, however, neither guarantees nor warrants continuous or flawless provision of Cooperative Services. After providing the Member reasonable notice and an opportunity to comment orally or in writing, the Cooperative may suspend or terminate provision of any Cooperative Services to any Member. Upon:

1. Determining that a Member has tampered or interfered with, damaged, or impaired any product, equipment, structure, or facility furnished or used by the Cooperative to provide, monitor, measure, or maintain any Cooperative Service (“Cooperative Equipment”);
2. Discovering the unsafe condition of any Cooperative Equipment; or
3. Discovering any imminent hazard or danger posed by any Cooperative Equipment; then,

Without providing the Member notice or any opportunity to comment, the Cooperative may suspend or terminate provision of Cooperative Services to the Member, and for determinations under item 1 may suspend or terminate the Member’s membership.

**Section 6. Purchase of Cooperative Services.** Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in the application for service. As required or allowed by Law, and unless otherwise specified in writing by the Board, each Member may use, receive, or purchase Cooperative Services, other than electric energy, from the Cooperative. Each Member will comply with, and abide by, any policy, program, rule, procedure, or other determination promulgated by the Board regarding the provision of Cooperative Services to the Member.

A. Payments to Cooperative. At prices, rates or amounts determined by the Board, and in a manner specified by the Cooperative, each Member shall pay the Cooperative for all:

1. Cooperative Services used, received, or purchased:
  - a. By the Member; or
  - b. At, or for, any dwelling or structure owned, controlled, or directly occupied by the Member; and
2. Dues, assessments, fees, deposits, contributions, or other amounts as may be required by Law, these Bylaws, or the Board.

B. Interest and Late Payment Fees. As determined by the Board, Members shall pay interest, compounded periodically, and late payment fees for all amounts owed, but not timely paid, to the Cooperative. Notwithstanding the Cooperative’s accounting procedures, the Cooperative may apply all amounts paid by any Member to all the Member’s accounts on a pro rata basis, or as otherwise determined by the Board.

**Section 7. Member Suspension; Member Termination.** The Cooperative may suspend Members as provided in this Bylaw and allowed by Law.

A. Suspension Reasons. The Cooperative may suspend a Member if the Member:

1. Fails to timely pay any amounts due the Cooperative.
2. Fails to timely comply with the Governing Documents.
3. For six (6) consecutive months, ceases using, receiving, or purchasing any Cooperative Service;

4. Dies, legally dissolves, or legally ceases to exist; or
5. Voluntarily requests suspension; or

As otherwise provided in these Bylaws, or for other good cause determined by the Board (collectively, "Suspension Reason").

B. Notice and Comment. Upon a Member's voluntary request for suspension, or, unless otherwise provided in these Bylaws, if the Cooperative, following the occurrence of a Suspension Reason other than a Member's voluntary request for suspension.

1. Provides the Member at least ten (10) days prior written notice of the member's possible suspension and the underlying Suspension Reason; and

2. Notifies the Member that the Member has, and allows the Member, at least ten (10) days after the effective date of the notice to comment upon the Suspension Reason, either orally or in writing, then

unless otherwise determined by the Board in good faith, the Member is suspended.

Any written suspension notice provided by mail must be mailed first-class or certified mail to the Member's most current address shown on the Membership List. Unless otherwise determined by the Board, a partnership-Member continuing to use, receive, or purchase a Cooperative Service is not automatically suspended upon the death of any partner, or following any other alteration in the partnership. A partner leaving a partnership-Member remains liable to the Cooperative for any amount owed to the Cooperative by the partnership-Member at the time of the partner's departure.

C. Effect of Member Suspension upon Cooperative. Upon a Member's suspension, and other than the Cooperative's:

1. Obligation to retire and refund Capital Credits and Affiliated Capital Credits; and

2. Obligations regarding the Cooperative's dissolution.

The:

1. Cooperative's duties, obligations, and liabilities imposed by these Bylaws for the Member cease; and

2. Cooperative may cease providing any Cooperative Service to the Member.

D. Effect of Member Suspension Upon Member. Other than the right to receive retired and refunded Capital Credits and Affiliated Capital Credits, and other than rights upon the Cooperative's dissolution, a suspended Member forfeits and relinquishes all rights provided in the Governing Documents. In particular, a suspended Member forfeits and relinquishes any voting rights provided by these Bylaws. A suspended Member, however, remains subject to all obligations imposed by the Governing Documents.

E. Lifting of Suspension. Unless otherwise determined by the Board in good faith, a Member's suspension is automatically lifted upon the Member rectifying, to the Cooperative's reasonable satisfaction, the underlying Suspension Reason within ten (10) days of the suspension. The Board may lift any member suspension for good cause as determined by the Board.

F. Termination. Upon approval by the Board in good faith, and as allowed by Law, a suspended Member is terminated. Termination of a Member does not release the former Member from any debts, liabilities, or obligations owed the

Cooperative. Upon a Member's termination from the Cooperative, and after deducting any amounts owed the Cooperative, the Cooperative shall return to the Member any amounts authorized by the Board and generally returned to terminated Members.

**Section 8. Member Grant of Property Rights.** As determined or required by the Cooperative, each Member will upon request from, and under reasonable terms and conditions determined by the Cooperative.

1. Provide the Cooperative temporary or permanent, safe and reliable access to, and use of, any portion of; and,
2. Grant and convey, and execute any document reasonably requested by the Cooperative to grant and convey, to the Cooperative any written or oral easement, right-of-way, license, or other property interest in any real or personal property in which the Member possesses any legal right and which is reasonably necessary to:
  1. Purchase, install, construct, inspect, monitor, operate, repair, maintain, remove, or relocate any Cooperative Equipment;
  2. Provide, monitor, measure, or maintain any Cooperative Service;
  3. Satisfy or facilitate any obligation incurred, or right granted, by the Cooperative regarding the use of Cooperative Equipment; or
  4. Safely, reliably, and efficiently:
    - a. Operate the Cooperative; or
    - b. Provide any Cooperative Service.

No Member shall tamper or interfere with, damage, or impair any Cooperative Equipment. Unless otherwise determined by the Board, the Cooperative owns all Cooperative Equipment. Each Member shall avoid harming Cooperative Equipment and shall install, implement, and maintain any protective device or procedure reasonably required by the Cooperative. Each Member shall comply with any procedure required by the Cooperative regarding the provision of any Cooperative Service to any Member or Person.

**Section 9. Indemnification.** As requested by the Board, each Member shall indemnify the Cooperative for, and hold the Cooperative harmless from, any expenses, costs, liabilities, or damages, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by any Cooperative Trustee, Officer, employee, agent, representative, or contractor, because of any property damage, personal injury, or death resulting from the Member's negligence or failure to comply with the Governing Documents.

## **Article II Rights and Liabilities of Members**

**Section 1. Property Interest of Members.** Upon dissolution, after

- (a) All debts and liabilities of the Cooperative shall have been paid, and
- (b) All capital furnished through patronage shall have been retired as provided in these bylaws the remaining property and assets of the Cooperative shall be distributed among the members and former members in proportion consistent with the laws of the State of Kansas as found in K.S.A. 17-4621 as it now exists or may be hereafter amended.

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

### **Article III Meetings of Members**

**Section 1. Annual Meeting.** The annual meeting of the members shall be held on a day to be selected by the board of trustees in each year, at such place in the area served by the Cooperative 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. 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 percent or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the County of Lane, State of Kansas, specified in the notice of the special meeting.

**Section 3. Notice of Members' Meetings.** Written or printed notices stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty-five (35) 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 notices shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his or her address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

**Section 4. Quorum.** As long as the total number of members does not exceed one thousand (1,000), five percent (5%) of all members, who must be present in person, shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), 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.

**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, except as otherwise provided by law, the articles of incorporation or these bylaws. Individuals voting on behalf of non-natural person members must present evidence satisfactory to the Cooperative that the individual is duly authorized to vote for the non-natural person member.

**Section 6. Member Meeting Order of Business.** The Board shall determine the agenda and order of business for Member Meetings.

**Section 7. Permitted Member Action at Member Meetings.** At any Annual Member Meeting or Special Member Meeting (collectively, “Member Meeting”), members may consider, vote or act only upon a matter for which:

1. Unless otherwise provided in these Bylaws, the Board and members were notified properly;
2. The members are authorized to consider, vote, or act; and
3. For a Special Member Meeting, the notice of the Special Member Meeting properly described

Unless at least one-third (1/3) of the Members entitled to vote on a matter are present at an Annual Member Meeting in person, Members may only vote upon matters described in the notice of the Annual Member Meeting. At a Special Member Meeting, Members may only vote upon matters described in the notice of the Special Member Meeting.

**Section 8. Member Action by Written Ballot or Mail Ballot.** Members may act by written ballot as provided in this Bylaw.

A. Member Written Ballot. Members may vote on any action that may be taken at any Member meeting without a Member Meeting by the Cooperative delivering a written ballot (“Member Written Ballot”) to every Member entitled to vote on the matter.

If:

1. The number of completed Member Written Ballots timely received by the cooperative equals or exceeds the member Quorum; and
2. The number of votes favoring a proposed action equals or exceeds the number of votes required to approve the action at the Member Meeting at which the total number of votes cast equaled the number of votes cast by Member Written Ballots timely received by the Cooperative.

then the action is valid.

Any material soliciting approval of any action by Member Written Ballot must:

1. Contain, or be accompanied by, a copy or summary of each proposed action;
2. Indicate the number of responses needed to meet the Member Quorum;
3. For all proposed actions other than election of directors, state the percentage of approvals necessary to approve the action, and
4. Specify the time by which the Cooperative must receive the completed Member Written Ballot.

B. Member Mail Ballot. In conjunction with a Member Meeting., Members may vote by mail by the Cooperative delivering a written ballot (“Member Mail ballot”) to all Members entitled to vote on the matter.

Members submitting a completed Member Mail ballot may not vote at the Member Meeting specified in the Member Mail Ballot regarding any matter described in the Member Mail Ballot. Each completed Member Mail Ballot received by the Cooperative prior to the Member Meeting may be counted in determining whether a Member Quorum exists at the Member Meeting.

The Cooperative shall count all properly completed Member Mail Ballots received on, or before, the time and date specified in the Member Mail Ballot as the member’s

vote.

- C. Ballot. Each Member Written Ballot and Member Mail Ballot (“Ballot”) must:
1. Set forth and describe each proposed action, identify any candidate, and include the language of any motion, resolution, Bylaw Amendment, or other written statement, upon which a Member is asked to vote;
  2. State the date of any member Meeting at which Members are scheduled to vote on the matter;
  3. Provide an opportunity to vote for or against, or to abstain from voting on, each proposed action;
  4. Instruct the Member how to complete and return the completed Ballot; and
  5. State the time and date by which the Cooperative must receive the completed Ballot.

Unless otherwise provided by the Board, a Member may not revoke a completed Ballot received by the Cooperative. A Member’s failure to receive a Ballot does not affect any action taken by member Written Ballot or Member Mail Ballot.

**Section 9. Waiver of Notice.** Any member or trustee may waive in writing, any notice or a meeting required to be given by these bylaws. 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 of a member or trustee 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.

#### **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.

**Section 2. Election and Tenure.** At the annual meeting, three (3) trustees shall be elected to succeed those trustees whose terms have expired, for a period of three (3) years or until their successors shall have qualified. If an election of trustees shall not have been held on the day designated herein at the annual meeting or any adjournment thereof, the board of trustees shall cause an election to be held at a special meeting of the members as soon thereafter as conveniently may be held; trustees shall be elected by a plurality vote of the members.

**Section 3. Qualifications.** No person shall be eligible to become or remain a trustee of the Cooperative who:

- (a) is not a member and bona fide resident of the county or counties that the member is to represent;
- (b) is not using, receiving, or purchasing a Cooperative Service in the county or counties that the member is to represent;
- (c) fails the conflict of interest trustee qualifications set out in this section; or
- (d) has been employed by the Cooperative, or subsidiary of the Cooperative,

within the five year period, prior to the beginning of the proposed trustee's term.

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.

**Conflict of Interest Trustee Qualifications.** While a trustee and within one (1) year immediately prior to becoming a trustee, a trustee or a trustee candidate must not be, nor have been:

- (a) A Close Relative of any existing trustee, other than an existing trustee who will cease being a trustee within one (1) year;
- (b) An existing, or a Close Relative of an existing, non-trustee Cooperative officer, employee, agent, or representative;
- (c) Employed by, materially affiliated with, or have a material financial interest in, any individual or entity: (1) directly and substantially competing with the Cooperative; or (2) Selling goods or services in substantial quantity to the Cooperative, or to a substantial number of members, or (3) possess any other substantial conflict of interest with the Cooperative.

As used in these Bylaws, the term "Close Relative" means an individual who: (1) is, either by blood, law, marriage, including half, step, foster, and adoptive relations, a spouse, child, grandchild, parent, grandparent, or sibling; or, (2) principally resides in the same residence. Any individual properly qualified and elected or appointed to any position does not become a Close Relative while serving in the position because of any new marriage or legal action to which the individual was not a party, or by the Cooperative's merger with another corporation or the acquisition of additional service territory for business purposes unrelated to this section.

**Section 4. Nominations.** It shall be the duty of the board of trustees to appoint, not less than thirty days nor more than one hundred twenty 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 five nor more than eleven members who shall be selected from different sections of the service area so as to insure equitable representation. No member of the board of trustees may serve on such committee. The committee, keeping in mind the principle of geographical representation, shall prepare and post at the principal office of the Cooperative at least twenty days before the meeting, a list of nominations for trustees, but any fifteen or more members acting together may make other nominations by petition not less than fifteen 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. The Secretary shall be responsible for mailing with the notice of 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 candidates, specifying separately the nominations made by the Committee on Nominations and also the nominations made by petition, if any. Nothing contained herein shall, however, prevent additional nominations from the floor at the meeting of the members. Failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of trustees. Provided further that in keeping with the principle of geographical representation on the board of trustees so nominated and elected, said trustees shall reside in and be residents of the various counties as follows: Lane and Gove Counties – three (3) trustees; Scott and Logan Counties – two (2) trustees; Ness and Rush Counties – two (2)

trustees; Finney and Hodgeman Counties – two (2) trustees.

**Section 5. Removal of Trustees by Members.** Any member may bring charges against a trustee by filing such charges in writing with the Secretary together with a petition signed by at least ten percent of the members, and may request the removal of such trustee by reason thereof. The trustee against whom charges have been brought shall be informed in writing of the charges at least thirty days prior to the meeting of the members at which 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 or her 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 provision with respect to nominations.

**Section 6. Vacancies.** Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of trustees shall be filled by the affirmative vote of a majority of the remaining trustees for the unexpired portion of the term of the trustee in respect of whom the vacancy occurs.

**Section 7. Compensation.** Trustees as such shall not receive any salary for their services, but 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 at any other meeting involving the Cooperative's interest when such attendance is authorized by the board of trustees. No trustee shall receive compensation for serving the Cooperative in any other capacity, unless approved by vote of the members. No Close Relative of a trustee shall receive compensation for serving the Cooperative, as a non-trustee Cooperative officer, employee, agent, or representative.

**Section 8. Failure to Attend Meetings.** Failure on the part of a trustee to attend either three consecutive regular meetings of the Board of Trustees or five meetings during any one calendar year shall be deemed sufficient cause for removal of any such trustee and declaration of a vacancy upon the vote of not less than two-thirds of the entire number of the Board of Trustees; provided, however, that the failure of any trustee to attend any regular meeting by reason of temporary actual inability to attend may be considered in the discretion of the board as excusing nonattendance on one or more occasions. A vacancy created by removal for nonattendance shall be filled as provided in Article IV, Section Six. Any trustee removed for nonattendance may be reinstated by membership petition made in the manner and according to the procedure set forth in Article IV, Section Five, if the petition is filed with the secretary prior to the next regular meeting of the Board of Trustees after removal.

**Section 9. Trustee Conduct.** Unless modified or prohibited by Law:

- A. Trustee Standard of Conduct. A Trustee shall discharge the Trustee's duties, including duties as a Board committee member:
  1. In good faith; and,
  2. In a manner the Trustee reasonably believes to be in or not opposed to the Cooperative's best interests.

B. Trustee Reliance on Others. Unless a Trustee possesses knowledge concerning a matter making reliance unwarranted, then in discharging a Trustee's duties, including duties as a Board committee member, a Trustee may rely upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:

1. One (1) or more Cooperative Officers or employees whom the Trustee reasonably believes to be reliable and competent in the matters prepared or presented;
2. Legal counsel, public accountants, or other individuals regarding matters the Trustee reasonable believes are within the partner; or individual's professional or expert competence; and
3. If the Trustee reasonable believes a Board committee of which the Trustee is not a member merits confidence, then the Board committee regarding matters within the Board committee's jurisdiction.

C. Trustee Liability. If a Trustee complies with this Bylaw, then the Trustee is not liable to the Cooperative, any Member, or any other individual or entity for action taken, or not taken, as a Trustee. No Trustee is deemed a trustee of a trust, regarding the Cooperative or any property held or administered by the Cooperative, including without limit, property potentially subject to restrictions imposed by the property's donor or transferor.

## **Article V**

### **Meetings of Trustees**

**Section 1. Regular Meetings.** A regular meeting of the board of trustees shall be held without notice other than these bylaws, immediately after and at the same place, as the annual meeting of the members. A regular meeting of the board of trustees shall also be held monthly at such time and place as the board of trustees may determine. Such regular monthly meetings may be held without notice other than the act of fixing the time and place thereof.

**Section 2. Special Meetings.** A special meeting 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 for holding of the meeting.

**Section 3. Notice of Trustees' Special Meeting.** Written notice of the time, place and purposes of any special meeting of the board of trustees shall be delivered to each trustee either personally or by mail, by or at the direction of the Secretary, or upon a default by in duty by 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 or her address as it appears on the records of the Cooperative with postage thereon prepaid, at least five days before the date set for the meeting.

**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 a meeting at which a quorum is present shall be the act of the board of trustees, except as otherwise provided in these bylaws.

**Section 5. Conduct of Board Meetings.** Unless otherwise provided in these Bylaws, and Regular Board Meeting or Special Board Meeting (“Board Meeting”) may be:

1. Held in, or out of, any state in which the Cooperative provides any Cooperative Service; and
2. Conducted with absent Trustees participating, and deemed present in person, through any means of communication by which all Trustees participating in the Board Meeting may reasonably and verifiably identify themselves, and simultaneously and approximately instantaneously communicate with each other during the Board Meeting.

If a Trustee Quorum is present at any Board Meeting, then:

1. In descending priority, the following Officers may preside at the Board Meeting: President, Vice-President, Secretary, Treasurer; and
2. If no Officer is present, or desires, to preside over any Board Meeting, then the Trustees attending the Board Meeting shall elect a Trustee to preside over the Board Meeting.

**Section 6. Waiver of Board Meeting Notice.** At any time, a Trustee may waive notice of any Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Trustee and later filed with the Board Meeting minutes or the Cooperative’s records. Unless a Trustee:

1. Upon arriving at a Board Meeting or prior to the vote on a particular matter, objects to lack of, or defective, notice of the Board Meeting or a matter being considered at the Board Meeting; and
2. Does not vote for, or assent to, an objected matter;

then the Trustee’s attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting.

**Section 7. Board Action by Written Consent.** Without a Board Meeting, the Board may take any action required, or permitted, to be taken at a Board Meeting if the action is:

1. Taken by all Trustees; and
2. Evidenced by one (1), or more, written consents (“Trustee Written Consent”);
  - a. Describing the action taken;
  - b. Signed by each Trustee; and
  - c. Included with the Cooperative’s Board Meeting minutes.

Unless the Trustee Written Consent specifies a different effective date, action taken by Trustee Written Consent is effective when the last Trustee signs the Trustee Written Consent. A Trustee Written Consent has the effect of, and may be described as, a Board Meeting vote.

**Section 8. Conflict of Interest Transaction.** A conflict of interest transaction is a transaction with the Cooperative in which a Trustee has a direct or indirect interest (“Conflict of Interest Transaction”).

A. Indirect Interest. A Trustee has an indirect interest in a conflict of Interest Transaction if at least one (1) party to the transaction is another entity:

1. In which the Trustee has a material interest or is a general partner; or
2. Of which the Trustee is an officer, or trustee.

B. Approval of Conflict of Interest Transaction. Regardless of the presence or vote of a Trustee interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved and any Board Quorum or Member Quorum satisfied, if the Conflict of Interest Transaction’s material facts, and the Trustee’s interest, are:

1. Disclosed or known to the Board or Board committee, and a majority of more than one (1) Trustee or Board committee member with no Interest in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction; or
2. Disclosed or known to the Members, and a majority of votes cast by members not voting under the control of a Trustee or entity interested in the Conflict of Interest Transaction approves the Conflict of Interest Transaction.

C. Fair Conflict of Interest Transaction. A Conflict of Interest Transaction that is fair when entered is neither:

1. Voidable; nor
2. The basis for imposing liability on a Trustee interested in the Conflict of Interest Transaction.

## **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 annually by and from the board of trustees, as soon as is practical following the meeting of members at which trustees are elected. Each officer shall hold office until the 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 such charges in writing with the Secretary together with a petition signed by ten percent of the members may request the removal of the particular officer by reason thereof. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to 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 or her shall have the same opportunity. In the event the board of trustees does not remove such officer, the question of his or her removal shall be considered and voted upon at the next meeting of the members.

**Section 4. President.** Unless otherwise determined by the board of trustees, the President shall:

- (A) Be the principal executive officer of the Cooperative and 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, deed 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.** Unless otherwise determined by the board of trustees, in the absence of the President, or in the event of the President's 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 by the board of trustees.

**Section 6. Secretary.** Unless otherwise determined by the board of trustees, the Secretary shall keep, or cause to be kept, the minutes of the meetings of the cooperative and in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the board of trustees.

**Section 7. Treasurer.** Unless otherwise determined by the board of trustees, the Treasurer shall perform such duties incident to the office of Treasurer, the finances of the cooperative and such other duties as from time to time may be assigned 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.** Any employee, the Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of its funds or property shall be bonded 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 officer, agent, or employee of the Cooperative to be bonded in such amount and with surety as it shall determine.

**Section 10. Compensation.** The powers, duties, and compensation of any officers, agents, and employees shall be fixed by the board of trustees and subject to the provisions of the Law and 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.

**Section 12. Officer Standard of Conduct.**

A. Every officer shall discharge the officer's duties:

1. In good faith; and,
2. In a manner the Officer reasonably believes to be in or not opposed to the Cooperative's best interests.

B. Officer Reliance on Others. Unless an Officer possesses knowledge concerning a matter making reliance unwarranted, then in discharging an Officer's duties and Officer may rely upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by:

1. One (1) or more other Cooperative Officers or employees whom the Officer reasonably believes to be reliable and competent in the matters prepared or presented;
2. Legal counsel, public accountants, or other individuals regarding matters the Officer reasonably believes are within the individual's professional or expert competence; and
3. If the Officer reasonably believes a Board committee of which the Officer is not a member merits confidence, then the Board committee regarding matters within the Board committee's jurisdiction.

C. Officer Liability. If an Officer complies with this bylaw, then the Officer is not liable to the Cooperative, any Member, or any other individual or entity for action taken, or not taken, as an Officer.

**Article VII  
Nonprofit Operation**

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

**Section 2. Patronage Capital in Connection with Furnishing Cooperative Services.** In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and nonmembers 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 nonprofit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy ("Operating Margins"). 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 patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron the Operating Margins in proportion to the value or quantity of electric energy used, received, or purchased by each patron during the applicable fiscal year ("Capital Credits"). 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 Credits, 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 via individual written notice of the amount of Capital Credits so credited to his or her account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

Funds and amounts, other than Operating Margins, received by the Cooperative from other sources or for providing Cooperative Services, other than providing electric energy, that exceed the Cooperatives costs and expenses ("Non-Operating Margins") shall, insofar as permitted by law, (a) be used to offset any losses incurred during the current or any prior fiscal year; (b) be allocated as Capital Credits to Patrons in the same proportion as the Cooperative allocates Operating Margins to Patrons; or (c) be used by the Cooperative as permanent, non-allocated capital.

Notwithstanding this Article VII, the amount to be credited to the capital of members on account of their patronage shall be no less than the greater of alternative minimum taxable income or regular taxable income resulting from their patronage as determined under Federal income tax law.

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 trustees shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part.

The Board shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. The Board shall adopt a Board policy regarding the allocating and retiring of capital credits that is:

- (a) consistent with state and federal law;
- (b) is consistent with operating on a cooperative basis under federal tax law;
- (c) is fair and reasonable to the Cooperative's members and former members;
- (d) provides the Cooperative with sufficient equity and capital to operate effectively and efficiently; and
- (e) protects the Cooperative's financial condition.

Capital credited to the account of each patron shall be assignable 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. In addition, the capital credit of any member may be applied by the Cooperative toward any bad debts which are owed to the Cooperative by such member.

Notwithstanding any other provision of these bylaws, the board of trustees, at its

discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his or her estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provision of these bylaws, to retire capital credited to any such patron immediately 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.

Further, after the death of an individual owning stock in a family corporation that is a patron, the Board of Trustees in its discretion may retire a portion of the capital credits of the family corporation in the same proportion as the equity ownership of the deceased individual in the family corporation bears to the total shareholder equity, in the same manner and subject to the same limitations which would apply to an individual deceased patron, as set forth in the preceding paragraph. For purposes of this paragraph, "Family Corporation" shall mean a corporation:

- (1) Actively engaged in the conduct of a business, all or a portion of which is located within the Cooperative service area.
- (2) That purchases electricity from the Cooperative directly for use in the principal business of the corporation;
- (3) In which the voting stock is held by and the majority of the shareholders are persons related to each other, all of whom have a common ancestor within the third degree of relationship, by blood or by adoption, or the spouses or the stepchildren of any such persons, or persons acting in a fiduciary capacity for persons so related;
- (4) All of its stockholders are natural persons or persons acting in a fiduciary capacity for the benefit of natural persons; and
- (5) At least one of the stockholders is a person actively engaged in the labor or management of the principal corporation business. A stockholder who is an officer of any corporation referred to in this subsection and who is one of the related stockholders holding a majority of the voting stock shall be deemed to be actively engaged in the management of the corporation.

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

**Section 3. Operating Deficits.** If the costs and expenses exceed the amounts received and receivable from the furnishing of electric service, hereinafter referred to as "loss", then the Board shall have the authority to prescribe a fair and equitable manner in which such loss shall be handled, including but not limited to, the carrying forward of the loss to offset future allocations of patronage capital to the members resulting from the furnishing of the electric service. Losses subject to this paragraph shall be determined in the same manner and method that patronage capital is calculated and allocated to members as provided above with respect to the pre-existing obligation to allocate patronage capital.

## **Article VIII**

### **Disposition of Property**

The board of trustees of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbrance of any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board of trustees shall determine, to secure any indebtedness of the Cooperative. The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or a substantial portion of its property unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than a majority of all the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting.

## **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.** Except as otherwise provided by law or in these bylaws, 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 and/or countersigned 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 except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board of 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. Policies, Rules and Regulations.** The board of trustees shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the articles of incorporation, or these bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

**Section 2. Accounting System and Reports.** The board of trustees shall cause to be established and maintained a complete accounting system subject to applicable laws and rules and regulations of any regulatory body and any applicable loan agreements. The board of trustees shall also cause to be made by a certified public accountant a full and complete annual audit of the accounts, books, and financial condition of the Cooperative. A report of such audit shall be submitted to the members at the next following annual meeting.

**Section 3. Indemnification of Trustees, Officers, Employees and Other Persons.** Each person who is or was a trustee, director, officer, agent or employee (including the heirs, executors, administrators or estate of such person) of the cooperative or is or was serving at the request of the cooperative as director, officer, agent or employee of another corporation, partnership, joint venture, trust or other enterprise shall be indemnified by the cooperative as of right to the full extent permitted or authorized by the laws of the State of Kansas, as now in effect and as hereafter amended, against any liability, judgment, fine, amount paid in settlement, cost and expense (including attorneys' fees) incurred by such person in this capacity as or arising out of his or her status as a trustee, director, officer, agent or employee of the cooperative, or if serving at the request of the cooperative as a trustee, director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise for actions, suits or proceedings asserted or threatened against said person.

The indemnification provided by this bylaw provision shall not be exclusive of any other rights to which those indemnified may be entitled under any agreement, vote of members or disinterested trustees or otherwise, and shall not limit in any way any right the cooperative may have to make different or further indemnification's with respect to the same or different persons or classes of persons.

Further, the cooperative shall have power to purchase and maintain insurance on behalf of any trustee, director, officer, employee or agent of the cooperative, or person serving at the request of the cooperative as trustee, director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against said person and incurred by said person in any such capacity, or arising out of such status, whether or not the cooperative would have the power to indemnify said person against such liability under the laws of the State of Kansas, as now in effect and as hereafter amended.

## **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.

**CERTIFICATE OF SECRETARY**

I, Paul Seib, Jr., do hereby certify:

- (1) That I am the duly elected and acting Secretary of The Lane-Scott Electric Cooperative, Inc., a Kansas corporation; and,
- (2) That the foregoing Bylaws, comprising 19 pages, constitute the Bylaws of the corporation, as duly adopted at the annual meeting of the members held on the 10th day of July, 2007.

**IN TESTIMONY WHEREOF**, I have hereunto subscribed my name and affixed the seal of the said corporation this 23rd day of July, 2007.

  
\_\_\_\_\_  
PAUL SEIB, JR., Secretary

**ATTEST:**

  
\_\_\_\_\_  
LARRY V. JASPER, President

**RESTATED AND AMENDED  
ARTICLES OF INCORPORATION OF  
THE LANE-SCOTT ELECTRIC COOPERATIVE, INC.**

(Executed Pursuant to the Electric Cooperative Act, K.S.A. 17-4601, et seq.)

- I.** The name of the cooperative: The Lane-Scott Electric Cooperative, Inc.
- II.** Address of Principal Office: 410 South High Street, P.O. Box 758, Dighton, Kansas 67839.
- III.** Purposes of Organization: In order to provide cooperative services to its members and other persons, the corporation shall in addition to the powers conferred generally on all corporations under Article 61 of Chapter 17 of the Kansas Statutes Annotated, have the powers specifically conferred on electric cooperatives pursuant to the Electric Cooperative Act, as such now exist and as the same may be amended from time to time.

**IN TESTIMONY WHEREOF**, the preceding restated and amended Articles of Incorporation are executed by and on behalf of The Lane-Scott Electric Cooperative by Larry V. Jasper, its president as of this 24th day of July, 2000.

/s/ Larry V. Jasper

\_\_\_\_\_  
Larry V. Jasper, President

[Corporate seal]

Attest: /s Paul Seib, Jr.

\_\_\_\_\_  
Paul Seib, Jr., Secretary

**STATE OF KANSAS, COUNTY OF LANE, ss:**

**BE IT REMEMBERED**, that on this 24th day of July, 2000, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, came Larry V. Jasper, who is personally known to me to be the same person who signed the foregoing instrument in the capacity of President of The Lane-Scott Electric Cooperative, Inc., and duly acknowledged the execution of the same.

**IN TESTIMONY WHEREOF**, I have hereunto subscribed my name and affixed my official seal on the day and year last above written.

/s/ Michael K. Ramsey

---

**Notary Public**

My Appointment Expires: June 25, 2002

**LANE-SCOTT ELECTRIC COOPERATIVE, INC.**

**Statement of Nondiscrimination**

Lane-Scott Electric Cooperative, Inc. has filed with the Federal Government a Compliance Assurance in which it assures the Rural Utilities Service that it will comply fully with all the requirements of Title VI of the Civil Rights Act of 1964, Section 504 of the rehabilitation Act of 1973, the Age Discrimination Act of 1975 and the Rules and Regulations of the Department of Agriculture issued thereunder, to the end that no person in the United States shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program and the operation of its facilities.

Under this assurance, this organization is committed not to discriminate against any person on the grounds 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, Washington, D.C. 20250 or the Rural Utilities Service, Washington, D.C. 20250 or this organization, or all, a written complaint. Such complaint must be filed not later than 180 days after the alleged discrimination, or by such later date to which the Secretary of Agriculture or the Rural Utilities Service extends the time for filing. Identity of complainants will be kept confidential to the extent necessary to carry out the purpose of the Rules and Regulations.