

BY-LAWS
Cherokee County Electric
Cooperative Association

AS AMENDED FEBRUARY 21, 2012

ARTICLE I
MEMBERS

SECTION 1. Qualification and Obligations. Any person, firm, corporation, body politic, or any other legal entity having any dwelling, structure apparatus, or point of delivery located in the Cooperative's service territory that is not receiving central station service, as defined in Tex. Util. Code Ann. § 161.002(3) as amended from time to time, from another source, may become a member in the Cooperative by:

- (a) Making written application for membership therein,
- (b) Agreeing to purchase from the Cooperative electric power or energy or as determined by the Cooperative, other goods or services relating to electric power or energy as hereinafter specified, and
- (c) Agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative and these By-laws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors.

For good cause determined by the Board, the Board may refuse an Applicant membership in the Cooperative.

No person, firm, corporation or body politic may own more than one (1) membership in the Cooperative.

SECTION 2. Joint Membership. A husband and wife may apply for a joint membership by complying with the requirements set forth in this Article. The term "member" as used in these By-laws shall be deemed to include a husband and wife holding jointly a 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 with respect to the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either shall be regarded as the presence of one member and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A proxy executed by either or both shall constitute one joint proxy;
- (d) A waiver of notice signed by either or both shall constitute a joint waiver;
- (e) Notice to either shall constitute notice to both;
- (f) Expulsion of either shall terminate the joint membership; and
- (g) Withdrawal of either shall terminate the joint membership.

SECTION 3. 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, By-laws and rules and regulations adopted by the

Board of Directors. The outstanding application for membership shall be changed by the Cooperative in such a manner as shall indicate the changed membership status.

Upon divorce, annulment, legal separation, or other declaration that a marriage is void, the joint membership shall terminate; however, if one of the joint members continues to use the Cooperative's service at the same location, then the joint membership shall convert to an individual membership in the name of that member.

SECTION 4. Fees. Each member shall pay a connect fee, which shall, from time to time be fixed by the Board of Directors, and shall make the member eligible for one (1) service connection. A connect fee shall be paid for each additional service connection requested by a member.

SECTION 5. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefore monthly, at rates which shall, from time to time, be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital, and each member shall be credited with the capital so furnished as provided in these By-laws. Each member shall pay to the Cooperative such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

SECTION 6. Property Interest of Members. Upon dissolution, the property and assets of the Cooperative shall be distributed in the following manner:

- (a) All debts and liabilities of the Cooperative shall be paid first; and
- (b) All capital furnished through patronage shall be retired thereafter as provided in these By-laws; and
- (c) The remaining property and assets of the Cooperative shall be distributed pro rata to the members who were members at the time of the filing of the certificate of dissolution.

SECTION 7. Non-liability for Debts of the Cooperative. The private property of the members of the Cooperative shall be exempt from the execution or liability for the debts of the Cooperative, and no members shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 8. 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 9. Transfer and Termination of Membership.

- (a) Membership in the Cooperative shall not be transferable.
- (b) Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Cooperative.
- (c) Membership in the Cooperative shall be canceled upon the following terms and conditions, with or without the consent of the member and at the sole discretion of the Cooperative:
 - (1) When the member fails to timely pay any amounts due the Cooperative;
 - (2) When the member dies, legally dissolves, or legally ceases to exist;

- (3) When the member ceases using electric service;
 - (4) After signing a new application for membership and the new member has not begun using electricity within sixty (60) days thereafter and the Cooperative has promised to make service available;
 - (5) When the member voluntarily requests termination;
 - (6) When the Cooperative equipment used to provide Cooperative service has been tampered with, altered, interfered with, damaged, or impaired;
 - (7) If it becomes apparent that the Cooperative will be unable to provide the member electric service; and
 - (8) Cancellation of membership in any manner shall not release a member or his estate from any debts due to the Cooperative.
- (d) When a membership is held jointly by a husband and wife, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be. The estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

SECTION 10. Removal of Directors or Officers by Member Petition. Any member may bring one or more charges for cause against any one or more directors or officers, and may request the removal of such director or officer by reason thereof, by filing with the Secretary such charge(s) in writing together with a petition, signed by not less than ten percent (10%) of the then-total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act upon such charge(s) and, if one or more directors or officers are recalled, to elect their successor(s), and which specifies the place, time and date thereof within not less than forty-five (45) days after the filing of such petition or requests that the matter be acted upon at the next annual meeting of the members if the same will be held no sooner than ninety (90) days after such petition is filed. Each page of the petition shall, in the forepart thereof, state the names(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) or officer(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he/she is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) or officer(s) against whom the charge(s) have been made and of the member(s) filing the charge(s) shall be contained in or accompany the notice of the meeting to the members not less than ten (10) nor more than twenty-five (25) days prior to the member meeting at which the matter will be acted upon; PROVIDED, the notice shall set forth (by random selection but otherwise in alphabetical order) only twenty (20) of the names and addresses of the charging members if more than twenty (20) members file the same charge(s) against the same director(s) or officer(s). Such director(s) or officer(s) shall be informed in writing of the charges after they have been validly filed and at least thirty-five (35) days prior to the meeting of the members at which the charge(s) are to be considered, shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel, or any combination of such, and to present evidence in respect of the charge(s), and shall be heard last, and the person(s) bringing the charge(s) shall have the same opportunity, and shall be heard first. The question of the removal of such director(s) or officer(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting. Any vacancy created by such removal shall be filled by the affirmative votes of a majority of the votes cast at such meeting, without compliance with the foregoing provisions with respect to pre-meeting nominations, and nominations shall be made from the floor; PROVIDED, the question of the removal of a director(s) or officer(s) shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting; AND PROVIDED FURTHER, a charge that a director(s) or officer(s) has, in a lawful manner, opposed or resisted any effort to sell, lease-sell, transfer, exchange, convey or otherwise dispose

of all, or a substantial portion, of the Cooperative's properties and assets or to dissolve the Cooperative, shall not constitute a "charge for cause" on the basis of which a director or officer may be removed from office under this section. A newly elected director or officer shall be from the same district as was the director or officer whose office he/she succeeds and shall serve the unexpired portion of the removed director's or officer's term.

ARTICLE II MEETINGS OF THE MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held once each year and the meeting date shall be established by the Board of Directors at their regular January meeting each year. The meeting shall be held at such place within the boundaries of the Cooperative service area in the State of Texas, as shall be designated in the Notice of the Meeting, for the purpose of passing upon reports covering 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 Meetings. Special meetings of the members may be called by the Board of Directors or its president, a majority of the directors or upon a written request signed by at least ten percent (10%) 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 boundaries of the Cooperative's service area in the State of Texas, specified in the Notice of the Special Meeting.

SECTION 3. Notice of Members' Meeting. Written or printed notice stating the place, day and hour of the meeting, and, in case of special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days, nor more than thirty (30) days, either personally or by mail, by or at the direction of the Secretary or by the person calling the meeting, to each member. If mailed, the notice shall be deemed to be delivered when deposited in the U.S. Mail, addressed to the member 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 at such meeting by the members.

SECTION 4. Quorum. Except as otherwise set forth within these bylaws, attendance of 4% of the total number of members of the Cooperative shall constitute a quorum for the transaction of business at any meeting of members. In the event less than 4% of the total number of members of the Cooperative are in attendance and no quorum is achieved, a majority of the members present may agree to adjourn the meeting.

These bylaws provide that the means of voting in an election of Directors shall be by mail ballot. Any members voting by mail for the election of directors shall be counted as present for the purpose of determining whether a quorum is established for the election of directors only, provided, however, that 10% of the total members of the Cooperative shall be required to constitute a quorum for the election of Directors.

By way of further exception to the quorum provision above, and in order to comply with Tex. Util. Code Ann. Section 151.151(b), as amended from time to time, a quorum for a meeting at which a proposed amendment to the Articles of Incorporation of the Cooperative is to be presented and voted on by the members shall be 5% of the members of the Cooperative.

SECTION 5. **Voting.** Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. Each member shall have the right to vote by mail for election of directors only. 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 or by proxy, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these By-laws.

SECTION 6. **Proxies.** Except as otherwise provided herein and as provided in Tex. Util. Code Ann. § 161.151(a) as amended from time to time, no proxies shall be voted at any meeting of the members.

SECTION 7. **Voting Districts.** The territory served or to be served by the Cooperative shall be divided into seven (7) districts. Each district shall be represented by one (1) director who shall reside in that particular district. No director shall be affected by re-districting until the end of his existing term. The seven (7) districts shall be designated and described as set out in the plat located in the principal office of the Cooperative and is available for review and inspection by any member during regular business hours. Not less than sixty (60) days before any meeting of the members at which directors are to be elected, the Board of Directors shall review the composition of the various districts, and, if it should be found that inequalities in representation have developed which can be corrected by a redelineation of the districts, the Board of Directors may reconstitute the districts to eliminate such inequalities.

SECTION 8. **Order of Business.** The order of business at the annual meeting of the members and so far as possible at all other meetings of the members shall be essentially as follows:

- (a) Report on the number of members present in order 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 unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (d) Presentation and consideration of, and acting upon, reports of officers, directors and committees;
- (e) Unfinished business;
- (f) New business;
- (g) Adjournment.

ARTICLE III DIRECTORS

SECTION 1. **General Powers.** The business and affairs of the Cooperative shall be managed by a board of seven (7) directors which shall exercise all powers of the Cooperative, except such as by law, by the Articles of Incorporation of the Cooperative, or by these By-laws, are conferred upon or reserved to the members.

SECTION 2. **Tenure and Qualifications.**

- (a) **Tenure.** The persons named as directors in the Articles of Incorporation of the Cooperative shall compose the Board of Directors until the first annual meeting or until their successors shall have been elected and shall have qualified. At each annual meeting thereafter, a number of directors equal to the number whose terms normally expire, but in

no case more than three (3), shall be elected by mail ballot, by and from the members, to serve for a period of three (3) years or until their successors shall have been elected and shall have qualified. If an election of directors shall not be held on the day designated herein for the annual meeting, or any adjournment thereof, directors whose terms would expire coincident with such election shall continue to serve for another three (3) year term or until their successors shall have been elected and shall have qualified, subject to the provisions of these By-laws with respect to the removal of directors.

- (b) **Qualifications.** No member shall be eligible to become or remain a director of the Cooperative who:
- (1) is not a bona fide resident in the area served by the Cooperative and in the district he is to represent;
 - (2) is regularly, directly and substantially employed by or financially interested in a competing enterprise or business selling goods or services to the Cooperative, or a business primarily and regularly engaged in selling electrical or plumbing appliances, fixtures or supplies to a member or members of the Cooperative;
 - (3) is not a member in good standing of the Cooperative;
 - (4) does not have the capacity to enter legally binding contracts;
 - (5) has been convicted of a felony or a crime of theft involving moral turpitude;
 - (6) is presently in bankruptcy under the laws of the United States;
 - (7) is an employee of the Cooperative;
 - (8) is an immediate family member of the same family of an employee or an existing Director of the Cooperative.

For the purposes of these By-laws, “an immediate member of the same family” shall include an individual who:

- a. is, either related by blood, law, or marriage, including half, step, foster or adoptive relations, a spouse, child, grandchild, parent, grandparent, or sibling; or
- b. resides in the same residence.

When a membership is held by a husband and wife, either one, but not both, may be elected a director, provided however that neither one shall be eligible to become a director or to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth.

Upon establishment of the fact that a director is holding the office in violation of any of the foregoing provisions, the Board of Directors shall remove such director from office with notification. Such director shall be notified by mail at his or her usual address by the Secretary of the Board of Directors. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 2a. A majority of the Board of Directors shall be the sole judges as to the qualifications, tenure and fitness of its members to serve as a director.

SECTION 3. **Nominations and Election of Directors.** Nominations of directors shall be made by districts as hereinabove defined and shall be selected for election at the annual meeting in accordance with the procedure hereinafter described. It shall be the duty of the Board of Directors to appoint a Nominating Committee not less than sixty (60) days nor more than ninety (90) days prior to the annual members’ meeting. This Nominating Committee shall be composed of one (1) member from each district, and said member shall not presently be a director. This Nominating Committee shall select one (1) or more nominee(s) from each of the appropriate districts each year. Additionally, any fifty (50) or more

members residing within the boundaries of the district in which a director is to be elected may make other nominations by petition over their signatures, not less than forty (40) days prior to the date set for district balloting. The Nominating Committee shall determine, as a part of its duties and responsibilities, whether any nominee, nominated either by committee or by petition, meets the qualifications listed hereinabove for eligibility for directors.

Election of directors shall be by mail ballot. In such elections, each member of the Cooperative shall have the right to cast one (1) vote for every office of director being voted upon at any election of directors whether or not that member resides within the boundaries of the district for which a director is being elected.

It shall be the duty of the Board of Directors to cause to mail, or cause to be mailed to each member, a nominating ballot card upon which appears one or more nominee(s) of the Nominating Committee, and also the names of all persons nominated by petition for each district. Any candidate who is an incumbent on the Board of Directors shall be designated as an incumbent director.

The ballot card shall be mailed so as to be in the hands of the members not later than five (5) days before the date set for counting the ballots on nominations. The mail ballot shall be returned to the Cooperative, in envelopes marked "Director Ballot" no later than ten (10) working days after the date of mailing from the Cooperative. Each member may mark his or her preference for one (1) nominee for each district. All members in good standing shall be eligible to vote.

Each member shall mark his preference on the ballot and return to the Ballot Canvassing Committee who shall be appointed by the Board of Directors and who will open, count, and record the ballots on nominations and report the same to the Board of Directors of the Cooperative who will canvass the returns at the next regular meeting of Directors. The Ballot Canvassing Committee shall, at this time, have the additional duty and responsibility to determine whether any given member who has voted on election of directors, pending, is a qualified and eligible member to vote thereon as set forth in the By-laws. No further nominations shall be heard at the annual or any special meeting. If there is a tie vote between the nominees of a particular district, then that tie shall be broken by the casting of lots. In the event there are more than two candidates running for the office of director, the candidate receiving the most votes shall be deemed elected. There shall be no run-off for the office of director.

Ten percent (10%) of the total number of members of the Cooperative shall constitute a quorum only for voting by mail for election of directors. Ballots by mail shall count as a quorum only for the purpose of electing directors. In the event that a quorum is not attained by mail, then the election of directors by mail ballot shall be considered invalid and of no force and effect.

SECTION 4. Qualifications of Voters. Only members of the Cooperative duly registered in their respective names upon the records of the Cooperative shall be qualified to vote at any election held by the Cooperative and in accordance with these By-laws. Such members shall be furnished by the Secretary of the Cooperative at the time of being officially notified of the holding of an election, a card upon which his name is printed, certifying that such member is a member in good standing and is qualified to cast a vote as a member of the Cooperative in any election.

SECTION 5. Honorary Director. Any director who shall have twenty (20) years consecutive service on the Board of Directors, and who voluntarily retires or declines to be nominated for re-election, may, at his/her option, upon election by a majority of the Board of Directors (but subject to limitations hereinafter set forth) become an Honorary Director of the Board of Directors. Attendance of any meeting shall not be required of the Honorary Director, unless requested by the Board of Directors. He/she shall

not have voting privileges at Board of Directors' meetings. He/she is also expected to provide advice and counsel upon request. For such services, an Honorary Director may receive a consulting fee as determined by the Board of Directors. No more than six (6) persons shall occupy the status of Honorary Director at one time, although the Board of Directors shall have the right to change the number of Honorary Directors at any time by a majority vote by the Board of Directors and may be accomplished by a Board Resolution without the necessity of amending the by-laws.

SECTION 6. Vacancies. Subject to the provisions of these By-laws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the directors for the unexpired portion of the term.

SECTION 7. Compensation. Board members shall not receive any salary for their service as such, except that the Board of Directors of the Cooperative, may by resolution, authorize a fixed sum and expense of attendance for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences and training programs or performing committee assignments when authorized by the Board of Directors. Board members may have the option of participating in the Cooperative's contributory group insurance program as established by board policy. No Board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any immediate member of the same family of a Board member receive compensation for serving the Cooperative.

SECTION 8. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these By-laws, as it may deem advisable for the management, administration and regulation of the business and the affairs of the Cooperative.

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 regulatory 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 also after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be made available to the members at the following annual meeting and shall be made available at the Cooperative's Headquarters.

SECTION 10. Change in Rates. Written notice shall be given to the Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 11. Indemnification for Expenses and Liability. Every director, officer, and employee of the Cooperative shall be indemnified by the Cooperative against all judgments, penalties, fines, liabilities, amounts paid in settlement, and reasonable expenses, including counsel fees actually incurred by or imposed upon him or her in connection with any proceeding to which he or she was, is or is threatened to be made party, or in which he or she may become involved, by reason, in whole or in part, of being or having been a director, officer or employee at the time such expenses are incurred, to the maximum extent allowed by law; provided that in the event of settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interest of the Cooperative. The foregoing right and indemnification shall be in addition to and not exclusive of all other rights to which such director, officer or employee may be entitled.

SECTION 12. Protection from Liability. If a director complies with this bylaw, then the director is not liable to the Cooperative, any member, or any other individual entity for action taken, or not taken, as a director. No director is deemed a trustee 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 IV MEETINGS OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the Board of Directors shall be held monthly at such time and place within the boundaries of the Cooperative's service area in the State of Texas, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or any four (4) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them.

SECTION 3. Notice of Special Meetings. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto by written notice, delivered personally, delivered electronically, or mailed to each director at his last known address. If mailed, such notice shall be deemed to be 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 4. 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 are present at said meeting, a majority of the directors present may adjourn the meeting without further notice.

SECTION 5. Manner of Meeting and Acting. Except as otherwise provided in these Bylaws, or as otherwise provided by law, the act of the majority of the directors present at the meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 6. Conflict of Interest Transaction. A conflict of interest transaction is a transaction with the Cooperative in which a Director has a direct or indirect interest ("Conflict of Interest Transaction").

(a) **Indirect Interest.** A Director 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 a Director has a material interest or is a general partner; or
- (2) of which the Director is a director, officer, or trustee.

(b) **Approval of Conflict of Interest Transaction.** Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and any Board Quorum satisfied, if the Conflict of Interest

Transaction's material facts, and the Director's interest, are disclosed or known to the Board, majority of more than one (1) Director with no interest in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction, and the fact of and nature of any conflict of interest is recorded in the minutes of a meeting of the Board of Directors.

- (c) **Fair Conduct 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 Director interested in the Conflict of Interest Transaction.

ARTICLE V 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 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 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. 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 or until his successor shall have been duly elected, and shall have qualified, subject to the provisions of these By-laws with respect to the removal of officers.

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 Cooperative will be served thereby.

SECTION 4. Vacancies. Except as otherwise provided in these By-laws, 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 Cooperative and shall preside at all meetings of the members and of the Board of Directors.
- (b) May sign any deed, 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 By-laws 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 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 improper 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) Preparing and keeping the minutes of the meeting of the members and the Board of Directors in one or more books provided for that purpose;
- (b) Seeing that all notices are duly given in accordance with these By-laws or as required by law;
- (c) The custody of the corporate records and of the seal of the Cooperative and see that the seal of the Corporation is affixed prior to the issue thereof of all documents, the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these By-laws;
- (d) Keeping a register 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 By-laws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member; and
- (g) 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. Unless otherwise determined by the Board, and unless otherwise required by the Law, the Articles of Incorporation, or these By-laws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

SECTION 9. Manager. The Board of Directors 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 as the Board of Directors may, from time to time, require of him/her, and shall have such authority as the Board of Directors may, from time to time, vest in him/her.

SECTION 10. Bonds of Officers. The Board of Directors, in its discretion, may require any officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

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, and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. Contracts. Except as otherwise provided in these By-laws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instruments, documents, contracts and/or written statements in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts and other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer, 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 Directors.

SECTION 3. Deposits. All funds 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 Directors may select.

ARTICLE VII REVENUES AND RECEIPTS

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 Electric Energy. In the furnishing of electric energy, the Cooperative's operation shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure the Cooperative will operate on a non-profit 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 the patrons, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses.

The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative may, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to his account ("capital credits"). 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.

Other than operating margins, funds and amounts received by the Cooperative that exceed the Cooperative's costs and expenses ("non-operating margins") may be:

- (a) Allocated as capital credits in the same manner as the Cooperative allocates operating margins;
- (b) Retained or used by the Cooperative as permanent, non-allocated capital;
- (c) Used to pay or offset any Cooperative cost or expense; or
- (d) Used as otherwise determined or approved by the Board.

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 to the members in proportion to the value or quantity of service used during the seven (7) years prior to dissolution 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 patrons' accounts may be retired in

full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.

Capital credited to the account of each patron shall be assignable only in 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 Directors, acting under policies of general application, shall determine otherwise.

The Cooperative shall not under any circumstances retire patronage dividends wholly or in part prior to the time such dividends may be incurred or become due and payable.

To secure payment of any amounts owned by a member to the Cooperative, including any reasonable compounded interest and late payment fee determined by the Board, the Cooperative has a security interest in the capital credits of every member or former member. When any capital credits are ordered to be retired by the Board of Directors and cash payment is made to eligible members, the Cooperative shall deduct from such payment any unpaid bill of the member which may be due to him/her, regardless of the purpose for which the debt was incurred. This deduction shall be made before any cash payment is made and is to be shown on the member's statement of capital credits retired in his/her favor.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and these By-laws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patron 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 By-laws 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. All persons to whom capital credits have been allocated shall keep the Cooperative informed of their current mailing address in order that the Cooperative may retire or refund capital credits, deposits, and any other amounts to such persons in accordance with these By-laws. If a check representing any retirement or refund of any such capital credits, deposits and other such accounts shall be mailed to any such person to his/her last known address shown in the records of the Cooperative and (a) shall be returned unclaimed to the Cooperative, or (b) shall remain uncashed, and no claim therefore shall be made by such person for a period of three (3) years after the issuance thereof, such person's check shall be presumed abandoned consistent with Tex. Property Code Ann. § 72 and subject to the report, delivery and claims process set forth in Tex. Property Code Ann. § 74, et al. If, prior to retirement of capital as provided by these By-laws, a person's existence and whereabouts are unknown to the Cooperative for a period of three (3) years, such person's capital credit retirement shall be presumed abandoned consistent with Tex. Property Code Ann. § 72 and subject to the report, delivery and claims process set forth in Tex. Property Code Ann. § 74, et al.

ARTICLE VIII WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these By-laws.

ARTICLE IX

DISPOSITION OF ASSETS

Section 1. **Transfer of Cooperative Assets.** Except for a sale, lease, exchange, disposition, conversion, or other transfer (“Transfer”) of Cooperative Assets: (1) to secure indebtedness; (2) pursuant to condemnation or threat of condemnation; (3) pursuant to an existing legal obligation; (4) associated with a Consolidation or Merger; (5) consisting of the Cooperative’s ownership in an Entity; (6) to an Entity operating on a cooperative basis and Providing electric energy; or (7) to a Cooperative Subsidiary, the Cooperative may Transfer all or substantially all of the Cooperative’s Assets only if:

- (a) At the expense of the Person seeking to purchase, lease, or acquire the Cooperative’s Assets, the Board appoints three independent appraisers, each of whom, within sixty days of appointment, evaluates and renders an appraisal valuing the Cooperative’s Assets specified in the proposed Transfer (“Appraisal”);
- (b) The Person seeking to purchase, lease, or acquire the Cooperative’s Assets provides to the Cooperative any information requested by the Cooperative;
- (c) Within sixty days of receiving the Appraisals, the Cooperative invites any other Entity operating on a cooperative basis, providing electric energy, and primarily located within the same state as, or within a state adjacent to, the state in which the Cooperative is primarily located to submit proposals to purchase, lease, or acquire the Cooperative’s Assets specified in the proposed Transfer, or to Merge or Consolidate with the Cooperative;
- (d) The Board approves the proposed Transfer;
- (e) At least a majority of the Total Membership approves the proposed Transfer;
- (f) Notice of a Member Meeting at which Members will consider the proposed Transfer states that one of the purposes of the Member Meeting is to consider the Transfer, and includes a copy or summary of the proposed Transfer; and
- (g) In proportion to the value or quantity of Cooperative Services Used by Members during the period in which the Cooperative owned a Cooperative Asset, the Cooperative allocates to Members as Capital Credits any consideration received for the Cooperative’s Assets that exceeds the amount paid for the Cooperative Assets.

Except as otherwise provided by the Members, after the Members approve a Transfer, the Board may abandon the Transfer. To secure indebtedness by the Cooperative or a Cooperative Subsidiary, the Board may Transfer, mortgage, pledge, dedicate to repayment, or encumber any Cooperative Asset. As used in this Bylaw, a Transfer includes the conversion of the Cooperative to another form of business.

Section 2. **Merger or Consolidation.** The Cooperative may consolidate or merge only with an Entity operating on a cooperative basis that provides any good or service (“Consolidate or Merge”). To Consolidate or Merge, the Cooperative must comply with this Bylaw.

- (a) **Board Approval.** To Consolidate or Merge, the Board must approve an agreement or plan to Consolidate or Merge (“Consolidation or Merger Agreement”) stating the:
 - (1) terms and conditions of the Consolidation or Merger;
 - (2) name of each Entity Consolidating or Merging with the Cooperative;
 - (3) name of the new or surviving Consolidated or Merged Entity (“New Entity”);
 - (4) manner and basis, if any, of converting memberships or ownership rights of each Consolidating or Merging Entity into memberships or ownership rights of, or payments from, the New Entity;
 - (5) number of directors of the New Entity, which must equal or exceed three;

- (6) date of the New Entity's annual meeting;
 - (7) names of New Entity directors who will serve until the New Entity's first annual meeting; and
 - (8) other information required by Law.
- (b) **Member Approval.** To Consolidate or Merge: after the Board approves a Consolidation or Merger Agreement, a majority of the Members voting in person or by Member Proxy must approve the Consolidation or Merger Agreement.
 - (c) **Notice.** The Cooperative shall notify Directors of a Board Meeting, and Members of a Member Meeting, at which Directors or Members may consider a Consolidation or Merger Agreement. This notice must contain, or be accompanied by, a summary or copy of the Consolidation or Merger Agreement.
 - (d) **Other Requirements.** The New Entity directors named in the Consolidation or Merger Agreement must sign and file articles of Consolidation or Merger in a manner, and stating the information, required by Law. The Cooperative shall comply with all other requirements for Consolidation or Merger specified by Law. After a Consolidation or Merger Agreement is approved, and before articles of Consolidation or Merger are filed, the Board or Members may abandon the Consolidation or Merger in accordance with this Article.

Section 3. **Dissolution.** The Cooperative may dissolve only in accordance with the procedure set forth in the then current Texas Cooperative Act or its successor legislation.

Section 4. **Distribution of Cooperative Assets Upon Dissolution.** Upon the Cooperative's dissolution:

- (a) the Cooperative shall pay, satisfy, or discharge all Cooperative debts, obligations, and liabilities;
- (b) the Cooperative shall retire and pay all Capital Credits allocated to Patrons and former Patrons; and
- (c) after paying, satisfying, or discharging all Cooperative debts, obligations, and liabilities, and after retiring and paying all Capital Credits, and to the extent practical:
 - (1) the Cooperative shall first distribute gains from selling an appreciated Cooperative Asset to Members who Used Cooperative Services during the period in which the Cooperative owned the Cooperative Asset in proportion to the value or quantity of Cooperative Services Used by the Member during the period the Cooperative owned the Cooperative Asset;
 - (2) the Cooperative shall then distribute nonpatronage earnings used by the Cooperative as permanent, unallocated equity to Members who Used Cooperative Services during the period in which the Cooperative received the earnings in proportion to the value or quantity of Cooperative Services Used by the Member during the period the Cooperative received the earnings; and
 - (3) the Cooperative shall then pay or distribute any remaining Cooperative Assets, and any amounts received from selling any remaining Cooperative Assets, to the Members in proportion to the value or quantity of Cooperative Services Used during the seven years before the Cooperative's dissolution.

**ARTICLE X
FISCAL YEAR**

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

**ARTICLE XI
MEMBERSHIP IN OTHER ORGANIZATIONS**

The Board of Directors shall be authorized to apply for membership on behalf of the Cooperative in any cooperative engaged in the generating of electric energy or promotion of rural electrification or in any Chamber of Commerce in any county or city in which the cooperative may do business, or in any association engaged in the business of furnishing or selling of supplies, or services used or to be used by the Cooperative without the vote of the members required in this Article.

**ARTICLE XII
SEAL**

The Cooperative's Corporate Seal shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Texas."

**ARTICLE XIII
AMENDMENTS**

These By-laws may be altered, amended or repealed by not less than the affirmative vote of two-thirds (2/3) of all the Board of Directors at any regular or special meeting.

**ARTICLE XIV
ELECTRONIC DOCUMENTS**

If a member owns, controls or has reasonable access to the hardware and software specified by the Cooperative, then, regardless of any contrary by-law:

- (a) The member may agree to:
 - (1) use, accept, send and receive electronic signatures, contracts, records, notices, communications, and other documents ("Electronic Documents") regarding any transaction with, for, or involving the Cooperative;
 - (2) conduct any action or transaction with, for, or involving the Cooperative by electronic means; and
 - (3) give this consent electronically, or confirm this consent electronically; and

- (b) As determined by the Board:
 - (1) any Electronic Document to or from the member satisfies any requirement imposed by law, the Articles of Incorporation, or these By-laws that the underlying signature, contract, record, notice, communication, or other document be in writing;

- (2) electronically sending or receiving any Electronic Document to or from the members satisfies any requirement imposed by law, the Articles of Incorporation, or these By-laws that the underlying signature, contract record, notice, communication, or other document be sent or received personally or by mail; and
- (3) the member electronically taking any action provided in these By-laws satisfies any requirement imposed by law, the Articles of Incorporation, or these Bylaws regarding the form or manner of taking the action.

Any Electronic Document sent electronically to a member or former member at the member's or former member's last known electronic address is considered sent and received on the date sent. Any Electronic Document sent electronically to the Cooperative from a member or former member is considered sent and received on the date received by the Cooperative.

ARTICLE XV CONSTRUCTION

SECTION 1. Pronouns and Headings. All personal pronouns used in these Bylaws shall include the other gender whether used in masculine, feminine or neuter gender, and the singular shall include the plural whenever and as often as may be appropriate. All headings herein are for the parties' convenience only and neither limit nor amplify the provisions of this document.

SECTION 2. Invalid Provisions. If any one or more of the provisions of these Bylaws, or the applicability of any such provision to a specific situation, shall be held invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable, and the validity and enforceability of all other provisions of these Bylaws and all other applications of any such provision shall not be affected thereby.