

**BYLAWS  
OF**

**LIGHTHOUSE ELECTRIC COOPERATIVE, INC.**

**A Texas Corporation**



***Floydada – Memphis, Texas***

**AS REVISED BY THE BOARD OF DIRECTORS**

October 22, 2009

## **SUMMARY**

### **MEMBERSHIP**

Any person, firm, corporation, or body public may become a member of Lighthouse Electric Cooperative, Inc. by making application for membership, agreeing to purchase electric energy from the Cooperative, agreeing to comply with the rules and regulations adopted by the Board of Directors and paying a membership fee if one is required. No person, firm, corporation, or body public may own more than one membership in the Cooperative.

### **MEETING OF MEMBERS**

The Annual Membership Meeting of the Cooperative will be held at a place in one of the counties in Texas within which the Cooperative serves each year and on a date set by the Board of Directors. An Official Notice of the Annual Membership Meeting shall be delivered to each member not less than ten (10) nor more than thirty (30) days prior to the meeting. 100 members constitute a quorum. Each member shall be entitled to only one vote on each matter submitted to the meeting. All questions shall be decided by a vote of a majority of the members present. The purpose of the meeting is to elect three directors, receive reports and take necessary action and transact any other business that may come before the meeting.

### **DIRECTORS**

The business and affairs of the Cooperative shall be directed by a board of nine directors which shall exercise all the powers of the Cooperative except such as are by the Articles of Incorporation or by law conferred upon and reserved to the members. Director's terms shall run for three years. The terms are so arranged that three directors are elected at each Annual Meeting. Directors may succeed themselves. Directors are elected from and by the membership to represent designated districts within the Cooperative's service area. No member shall be eligible to become or remain a director who: (1) is not receiving service in the district which he would represent or represents; (2) is any way employed by or financially interested in a competing enterprise, a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative; (3) cannot legally enter into a contract under Texas law; (4) is a close relative of another director or employee of the Cooperative.

### **NOMINATIONS**

It shall be the duty of the Board of Directors to appoint, not less than thirty (30) days, nor more than 180 days before the date of the Annual Membership Meeting, not less than five (5) nor more than eleven (11) members to serve on the Nominating Committee. The committee will make one or more nominations for each expiring directorate. The nominees' names shall be placed on the official ballot and voted on by the members at the Annual Meeting of the Membership. The decision of the Nominating Committee shall be final. The committee's report shall be prepared and posted, along with a list of their nominations for directors, at the principal offices of the Cooperative at least twenty

(20) days before the Annual Membership Meeting. Any fifteen (15) or more members may make their nominations in writing over their signatures not less than fifteen (15) days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations made by the Committee is posted. The Secretary shall then mail, with the notice of the Annual Membership Meeting, a statement of the number of directors to be elected and showing all nominations. Nothing contained herein, however, shall prevent additional nominations to be made from the floor at the Annual Membership Meeting.

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# BYLAWS

## LIGHTHOUSE ELECTRIC COOPERATIVE, INC.

### ARTICLE I

#### **MEMBERSHIP**

**SECTION 1.01. ELIGIBILITY.** Any natural person, firm, association, corporation, business trust, partnership, Federal agency, State or political subdivision thereof, or any body politic (each hereinafter referred to as “person”, “applicant”, “him” or “his”) shall be eligible to become a member of, and at one or more premises owned or directly occupied or used by him, to receive electric service from LIGHTHOUSE ELECTRIC COOPERATIVE, INC., (hereinafter called the “Cooperative”). No person shall hold more than one membership in the Cooperative.

**SECTION 1.02. APPLICATION FOR MEMBERSHIP; RENEWAL OF PRIOR APPLICATION.** Application for membership – wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and comply with all of the other provisions of the Cooperative’s Articles of Incorporation and Bylaws, and all rules, regulations and tariffs established pursuant thereto, as all the same then exist or may thereafter be duly adopted or amended (the obligations embraced by such agreement being hereinafter called “Membership Obligations”) – shall be made in writing on such form as is provided therefor by the Cooperative. With respect to any particular classification of service for which the Board of Directors may require it, such application shall be accompanied by the membership fee provided for in Section 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid to construction that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid to construction, if any) shall be refunded in the event the application is by Board resolution denied. Any former member of the Cooperative may, by the sole act of paying a new membership fee, if such fee is required, and any outstanding account; (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid to construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

**SECTION 1.03. MEMBERSHIP FEE; SERVICE SECURITY AND FACILITIES EXTENSION DEPOSITS; CONTRIBUTION IN AID TO CONSTRUCTION.** The membership fee, if required by Board action (together with any service security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid to construction or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid to construction or any combination

thereof, if required by the Cooperative) shall be paid by the member for each additional service connection requested by him.

**SECTION 1.04. JOINT MEMBERSHIP.** A husband and wife, by specifically so requesting in writing, may be accepted into joint membership, or, if one of them is already a member, may automatically convert such membership into a joint membership. The words “member”, “applicant”, “person”, “his” and “him”, as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing –

the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting;

the vote of either or both shall constitute, respectively, one joint vote;

notice to, or waiver of notice signed by either or both, shall constitute, respectively, a joint notice or waiver of notice;

suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership;

either, but not both concurrently, shall be eligible to serve as a director of the Cooperative, but only if both meet the qualifications required therefor; and

neither will be permitted to have any additional service connections except through their one joint membership.

**SECTION 1.05. ACCEPTANCE INTO MEMBERSHIP.** Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electric service; PROVIDED, that the Board of Directors may by resolution deny an application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative’s terms and conditions of membership or that such application should be denied for other good cause; PROVIDED FURTHER, that any person whose application has been submitted to but not approved by the Board of Directors for sixty (60) days or longer may, by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

**SECTION 1.06. PURCHASE OF ELECTRIC POWER AND ENERGY; POWER PRODUCTION BY MEMBER; APPLICATION OF PAYMENTS TO ALL ACCOUNTS.** The Cooperative shall make all reasonable efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all

premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefore at the time, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become payable. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do reflect such allocation and proration.

**SECTION 1.07. EXCESS PAYMENT TO BE CREDITED AS MEMBER-FURNISHED CAPITAL.** All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these Bylaws.

**SECTION 1.08. WIRING OF PREMISES; RESPONSIBILITY THEREFOR; RESPONSIBILITY FOR METER TAMPERING OR BYPASSING AND FOR DAMAGE TO COOPERATIVE PROPERTIES; EXTENT OF COOPERATIVE RESPONSIBILITY; INDEMNIFICATION.** Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the National Electric Code, any applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for – and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of – such premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service, and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collection, and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation, and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person

when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents, and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

**SECTION 1.09. MEMBER TO GRANT EASEMENTS TO COOPERATIVE AND TO PARTICIPATE IN REQUIRED COOPERATIVE LOAD MANAGEMENT PROGRAMS.**

Each member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of easement of right-of-ways over, on and under such lands owned or leased by or mortgaged to the member in the Cooperative's certified service area and in accordance with such reasonable terms and conditions as the Cooperative shall require for the furnishing of electric service to him or other members, or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. Each member shall participate in any required program and comply with related rates and services rules and regulations that may be established by the Cooperative to enhance load management, to utilize or conserve electric energy more efficiently, or to conduct load research.

## **ARTICLE II**

### ***MEMBER SUSPENSION AND TERMINATION***

**SECTION 2.01. SUSPENSION; REINSTATEMENT.** Upon his failure, after the expiration of the initial time limit prescribed either in a specific notice to him or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other noncompliance with his membership obligations, a person's membership shall automatically be suspended; and he shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

**SECTION 2.02. TERMINATION BY EXPULSION; RENEWED MEMBERSHIP.**

Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by resolution of the Board of Directors at any

subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to the date of his expulsion. After any finally effective expulsion of a member, he may not again become a member except upon new application therefore duly approved as provided in Section 1.05. The Board of Directors, acting upon principals of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations.

**SECTION 2.03. TERMINATION BY WITHDRAWAL OR RESIGNATION.** A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to own or directly occupy or use all premises being furnished electric service pursuant to his membership, or (b) abandoning totally and permanently the use of central station electric service on such premises.

**SECTION 2.04. TERMINATION BY DEATH OR CESSATION OF EXISTENCE; CONTINUATION OF MEMBERSHIP IN REMAINING OR NEW PARTNERS.**

Except as provided in Section 2.06, the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership.

PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners; PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

**SECTION 2.05. EFFECT OF TERMINATION.** Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee, if any (and to his service security deposit, if any, theretofore paid the Cooperative), less any amounts due the Cooperative, but neither he nor his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 2.01 and 2.02, such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from his membership obligations as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

**SECTION 2.06. EFFECT OF DEATH, LEGAL SEPARATION OR DIVORCE UPON A JOINT MEMBERSHIP.** Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint;

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

**SECTION 2.07. BOARD ACKNOWLEDGEMENT OF MEMBERSHIP TERMINATION; ACCEPTANCE OF MEMBERS RETROACTIVELY.** Upon the termination of a person's membership for any reason, the Board of Directors, so soon as practical after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the Board of Directors approves, membership retroactively to the date on which such person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

## **ARTICLE III**

### ***MEETING OF MEMBERS***

**SECTION 3.01. ANNUAL MEETING.** For the purpose of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held on such date and at such time and at such place in one of the counties in Texas within which the Cooperative serves, as the Board of Directors shall from year to year fix. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 3.02. SPECIAL MEETINGS.** A special meeting of the members shall be called by the President, by any four (4) directors, or by petition signed by not less than 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 in Section 3.03. Such a meeting shall be held in Floyd County, Texas, on such date, not sooner than forty (40) days after the call for such meeting is made or a petition therefore is filed, and beginning at such hour as shall be designated by him or those calling or petitioning for the same.

**SECTION 3.03. NOTICE OF MEMBER MEETINGS.** Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than ten (10) days nor more than thirty (30) days prior to the date of the meeting, either personally or by mail, by or at the direction of the President or the Secretary (and, in the case of a special meeting, at the direction of him or those calling the meeting). Any such notice delivered by mail may be included with member service billings or as an integral part of or with the

Cooperative's newsletter and/or its monthly insert, if any, in the Texas Co-op Power. No matter, the carrying of which, as provided by law, or by the Cooperative's Articles of Incorporation or Bylaws, requires the affirmative votes of at least a majority of all the Cooperative's members, shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid and postmarked at least ten (10) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and nonintended failure of any member to receive a notice deposited in the mail addressed to the member at his address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

**SECTION 3.04. QUOROM.** Business may not be transacted at any meeting of the members unless there are present in person at least one hundred (100) of the Cooperative's members, except that, if less than a quorum is present at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date and at the same place not less than forty (40) days later. PROVIDED, that the Secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person.

**SECTION 3.05. VOTING.** Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote; provided, however, that no one person may cast more than one vote, i.e., any person who casts a vote as a member who is not a natural person may not also cast a vote as a member who is a natural person. At all meetings of the members all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these Bylaws. Members may not cumulate their votes or vote by proxy or by mail.

**SECTION 3.06. CREDENTIALS AND ELECTION COMMITTEE.** The Board of Directors shall, at the annual meeting, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of members not less than five (5) nor more than nine (9) who are not members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for director, and

who are not close relatives (as herein defined) or members of the same household of members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for directors. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. It shall be the responsibility of the Committee to pass upon all questions that may arise with respect to counting the ballots, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors, and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s) who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision on all matters covered by the Section shall be final.

**SECTION 3.07. ORDER OF BUSINESS.** The order of business at the annual meeting of the members and, insofar as practical or desirable, at all other meetings of the members shall be essentially as follows:

Report on the number of members present in person in order to determine the existence of a quorum;

- (2) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (3) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;

Presentation and consideration of reports of officers, directors, and committees;

- (5) Election of directors;
- Unfinished business;
- New business; and

Adjournment

Notwithstanding the foregoing, the Board of Directors or the members themselves may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business: PROVIDED, that no businesses other than adjournment or the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

## **ARTICLE IV**

### ***DIRECTORS***

**SECTION 4.01. NUMBER AND GENERAL POWERS.** The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members.

**SECTION 4.02. QUALIFICATIONS.** No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or an employee of the Cooperative, or is not a member in good standing of the Cooperative and receiving service within the District he represents. **PROVIDED**, that the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or his designee, shall be eligible to become a director, from the Directorate District in which such member is located, if he or such designee (1) is in substantial permanent occupancy, direction or use of the premises served by the Cooperative, and (2) is a permanent and year-round resident within or in close proximity to an area served by the Cooperative; **BUT PROVIDED FURTHER**, that no more than one (1) such person may serve on the Board of Directors at the same time. No person shall be eligible to become or remain a director of, or to hold any other position of trust in, the Cooperative who cannot legally enter into a contract under Texas law or is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to, among others, the members of the Cooperative. No person shall take or hold office as a Director who is the incumbent of or candidate for an elective public office in connection with which a salary is paid. Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, as the case may be. Nothing contained in this Section 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, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Cooperative.

**SECTION 4.03. ELECTION.** At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in the first provision of Section 4.02 of these Bylaws, from among those members who are natural persons: **PROVIDED**, that when the number of nominees does not exceed the number of directors to be elected from a particular Directorate District, and if there is no objection, secret written balloting may be dispensed with in respect to that particular election and

voting may be conducted in any other proper manner. Directors shall be elected by a plurality of the votes cast. Drawing by lot shall resolve, where necessary, any tie votes.

**SECTION 4.04. TENURE.** Directors shall be so nominated and elected that one director from or with respect to each of Directorate Districts Nos. One, Three and Four shall be elected for three-year terms at an annual meeting; one director from or with respect to each of Directorate Districts Nos. six, seven and nine shall be elected for three-year terms at the next succeeding annual member meeting; and one director from or with respect to each of Directorate Districts Nos. five, two and eight shall be elected for three-year terms at the next succeeding annual member meeting, and so forth: PROVIDED, that the terms of no two directors from the same Directorate District shall coincide. Upon their election, directors shall, subject to the provisions of these Bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. If for any reasons an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

**SECTION 4.05. DIRECTORATE DISTRICTS.** The territory served by the Cooperative shall be divided into nine (9) Directorate Districts. Each District shall be represented by one director and the Districts are described upon the map of the territory served by the District attached to the Bylaws and made a part hereof.

Every year the Board of Directors, not more than one hundred and eighty (180) days prior to the first date on which the annual member meeting may be scheduled pursuant to these Bylaws to be held, shall review the Districts and Directorates and, if determining that the Districts should be altered as to boundaries or number or that the number of District directors should be increased or reduced, so as to correct any substantially inequitable factors regarding the residences of members, the number or geographic location of Districts or the number of such directors, shall appropriately amend these Bylaws accordingly and may, after such amendments become effective, appoint any additional directors, if so provided for by such amendments, and may appropriately fix their respective initial terms, not to exceed three years. The Board of Directors shall cause all such amendments and the names, addresses, and initial terms of any such newly appointed additional directors to be noticed in writing to the members not less than ten (10) days prior to the date on which the Committee on Nominations for the next annual member meeting shall first convene.

After the date of the notice of amendments, these Bylaws shall have been effectively amended accordingly; PROVIDED, that, no such amendment shall become effective so as to cause the vacancy of any director's office prior to the time his term would normally expire unless he consents thereto in writing.

**SECTION 4.06. NOMINATIONS.** It shall be the duty of the Board of Directors to appoint, not less than thirty (30) days nor more than one hundred eighty (180) days prior to the date of the meeting of the members at which directors are to be elected, a

Committee on Nominations, consisting of not less than five(5) nor more than eleven (11) members. The Committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days prior to the meeting a list of nominations for directors to be elected, listing separately the nominee(s) for each Directorate District from or with respect to which a director must, pursuant to this Article, be elected at the meeting. The Committee shall include two or more nominees for any director to be elected from or with respect to a Directorate District unless it is unable to obtain the consent of more than one qualified nominee to stand for election, in which case, the committee shall name one nominee. Any fifteen (15) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, not less than fifteen (15) 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 mail to the members with the notice of the meeting, or separately, but at least ten (10) days prior to the date of the meeting, a statement of the names and addresses of all nominee(s) for each Directorate District from or with respect to which a director must be elected, showing clearly those nominated by the Committee and those nominated by petition, if any. The chairman at such meeting, after all nominations so made have been duly announced, shall call for additional nominations from the floor and shall ascertain and announce, after any nominations made from the floor, the particular Directorate District from or with respect to which any additional candidates have been nominated. Notwithstanding the provisions contained in this Section, failure to comply with any such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

**SECTION 4.06A. DISTRICT MEETINGS.** Prior to the annual meeting of the membership, a district meeting will be held each year in Memphis, Texas, for the purpose of voting upon the nominations made by the Nominating Committee for Districts 4, 8 and 9. The nominee selected at this district meeting shall be placed upon the election ballot at the annual meeting of the membership.

**SECTION 4.07. VOTING FOR DIRECTORS; VALIDITY OF BOARD ACTION.** In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of directors to be elected, but no member may vote for more nominees than the number of directors that are to be elected from or with respect to any particular Directorate District. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate District shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

**SECTION 4.08. REMOVAL OF DIRECTORS BY MEMBERS.** Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) 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 total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act on such charges and, if one

or more directors are recalled, to elect their successor(s) and specifies the place, time and date thereof not less than forty (40) days after filing of such petition, on which requests that the matter be acted upon at the subsequent annual member meeting is such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(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) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he 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) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon; PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and 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 the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance of the foregoing provisions with respect to nominations, except that nominations shall be made from the floor; PROVIDED, that the question of the removal of a director 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 through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

**SECTION 4.09. VACANCIES.** Subject to the provisions of these Bylaws with respect to 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 Board of Directors. A director thus elected shall serve out the unexpired term of the director whose office was originally vacated and until a successor is elected and qualified; PROVIDED, that such a director shall be from or with respect to the same Directorate District as was the director whose office was vacated.

**SECTION 4.10. COMPENSATION: EXPENSES.** Directors shall, as determined by resolution of the Board of Directors, receive, on a per diem basis, a fixed fee, which may include insurance benefits, (a) for attending meetings of the Board of Directors, (b) for the performance of other Cooperative business. The fee fixed for attending Board meetings need not be the same as the fee or fees fixed for performing other Cooperative business. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in attending such

meetings and performing such business. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by the Board of Directors upon their certification of such as an emergency measure: PROVIDED, that a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board of Directors.

**SECTION 4.11. RULES, REGULATIONS, RATE SCHEDULES AND CONTRACTS.** The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules, contracts, security deposits and other types of deposits, payments or charges, including contributions in aid to construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

**SECTION 4.12. ACCOUNTING SYSTEM AND REPORTS.** The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

**SECTION 4.13. "CLOSE RELATIVE" DEFINED.** As used in these Bylaws, "close relative" means a person who, by blood or in law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

## **ARTICLE V**

### **MEETINGS OF DIRECTORS**

**SECTION 5.01. REGULAR MEETINGS.** A regular meeting of the Board of Directors shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at such date, time and place in one of the counties in Texas within which the Cooperative serves as the Board shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; PROVIDED, that any director absent from any meeting of the Board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of

such determination or change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER, that, if a policy therefore is established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon less than five (5) days notice thereof to all directors.

**SECTION 5.02. SPECIAL MEETINGS.** Special meetings of the Board of Directors may be called by the President, Board resolution, or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the President, or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in Texas within which the Cooperative serves, unless all directors consent to its being held in some other place in Texas or elsewhere. Special meetings, upon proper notice as otherwise provided in Section 5.03, may also be held via telephone conference call, without regard to the actual location of the directors at the time of such a telephone conference meeting, if all the directors consent thereto.

**SECTION 5.03. NOTICE OF DIRECTORS MEETINGS.** Written notice of the date, time, place (or telephone conference call) and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any director in the case of a meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of any director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

**SECTION 5.04. QUORUM.** The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present shall be required for any action to be taken; PROVIDED, that a director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of directors in office or present; AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

## **ARTICLE VI**

### **OFFICERS: MISCELLANEOUS**

**SECTION 6.01. NUMBER AND TITLE.** The officers of the Cooperative shall be a President, Vice-President, Secretary and Treasurer, and such other officers as from time

to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.

**SECTION 6.02. ELECTION AND TERM OF OFFICE.** The four officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such titles, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

**SECTION 6.03. REMOVAL.** Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

**SECTION 6.04. VACANCIES.** A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

**SECTION 6.05. PRESIDENT.** The president shall –

- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the Board of Directors, and unless determined otherwise by the Board of Directors, at all meetings of the members;
- (b) sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and,

in general, 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 6.06. VICE-PRESIDENT.** In the absence of the President, or in the event of his inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers or 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 6.07. SECRETARY.** The Secretary shall –

keep, or cause to be kept, the minutes of the meetings of the members and of the Board of Directors in one or more books provided for the purpose;

see that all notices are duly given in accordance with these Bylaws or as required by law;

be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these Bylaws or is required by law;

keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;

have general charge of the books of the Cooperative in which a record of the members is kept;

keep on file at all times a complete copy of the Cooperative's Articles of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and,

in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.08. TREASURER.** The Treasurer shall –

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

(b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these Bylaws; and,

in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

**SECTION 6.09. DELEGATION OF SECRETARY'S AND TREASURER'S RESPONSIBILITIES.** Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herebefore provided in Sections 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officer or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

**SECTION 6.10. GENERAL MANAGER; EXECUTIVE VICE-PRESIDENT.** The Board of Directors may appoint a General Manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated Executive Vice-President. Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in him.

**SECTION 6.11. BONDS.** The Board of Directors may require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the

custody of any of its funds or property to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

**SECTION 6.12. COMPENSATION; INDEMNIFICATION.** The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.10 of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefore approved by the Board of Directors. The Cooperative shall indemnify present and former directors, officers, including the General Manager (or, if so titled, the Executive Vice-President), agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interests of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

**SECTION 6.13. 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 VII**

### **CONTRACTS, CHECKS AND DEPOSITS**

**SECTION 7.01. CONTRACTS.** Except as otherwise provided by law or these Bylaws, the Board of Directors may authorize any Cooperative officer, agent or employee 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 7.02. CHECKS, DRAFTS, ETC.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**SECTION 7.03. DEPOSITS; INVESTMENTS.** All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

## **ARTICLE VIII**

### **MEMBERSHIP**

**SECTION 8.01. MEMBERSHIP.** No membership shall be less than the membership fee fixed by the Board of Directors. The amount of the membership fee may be changed from time to time by the Board of Directors, and it may be set at any amount the Board of Directors deems advisable, including \$ 0.00. No person shall be a member until such fee (if any such fee is required), any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

## **ARTICLE IX**

### **NON-PROFIT OPERATION**

**SECTION 9.01. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED.** The Cooperative shall at all times be operated on a cooperative non-profit 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 9.02. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY.** In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishings of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses 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 shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account: PROVIDED, that the individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregated amount of such excess and provides a clear explanation of how each patron may compute and determine for himself a specific amount of capital so credited to him. 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.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred

during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

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: PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period, insofar as practicable, as determined by the Board of Directors 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. The method used in retirement of Capital Credits shall be solely within the discretion of the Board of Directors of the Cooperative. The Cooperative shall (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons, and (c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts.

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

Notwithstanding any other provisions of these Bylaws, the Board of Directors shall at its discretion have the power at any time upon the death of any patron who was a natural person (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representatives of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the Texas legal rate on judgments in effect when such amount became overdue, compounded annually.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Article of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and 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 the 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 9.03. PATRONAGE REFUNDS IN CONNECTION WITH FURNISHING OTHER SERVICES.** In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against any furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time and in such order or priority as the Board of Directors shall determine.

## **ARTICLE X**

### **WAIVER OF NOTICE**

Any member may waive, in writing, any notice of meetings required to be given by these Bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

## **ARTICLE XI**

### **DISPOSITION AND PLEDGING OF PROPERTY;**

### **DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION**

**SECTION 11.01. DISPOSITION AND PLEDGING OF PROPERTY.** (a) Not inconsistently with subsection (b) hereof, the members of the Cooperative may, at a duly held meeting of the members, authorize the sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's property and assets by the affirmative votes of a majority of the total members of the Cooperative. However, the Board of Directors, without authorization by the members, shall have full power and authority (1) to borrow monies from any source and in such amounts as the Board may from time to time determine, (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefore, and (3) to sell, lease, lease-sell, exchange, transfer or otherwise dispose of merchandise, property no longer necessary or useful for the operation of the Cooperative's property and assets. "Substantial portion" means ten percent (10%) or more of the Cooperative's total assets as reflected on its books at the time of the transaction.

(b) Supplementary to the first sentence of the foregoing subsection (a) and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's property and assets shall be authorized except in conformity with the following:

If the Board of Directors looks with favor upon any proposal for such sale,

lease, lease-sale, exchange, transfer or other disposition, it shall first cause three (3) independent, non-affiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a District Court Resident Judge for the Judicial District in Texas in which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the Board of Directors.

If the Board of Directors, after receiving such appraisals (and other terms

and conditions which are submitted, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every other rural electric cooperative corporations corporately sited and operating in Texas (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer, or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural electric cooperative corporations, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such rural electric cooperative corporations shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

If the Board then determines that favorable consideration should be given

to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members not less than sixty (60) days before noticing a special meeting of the members thereon or, if such be the case, the next annual member meeting, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not less nor more than thirty (30) days after the giving of notice thereof to the members; PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not less nor more than (30) days after the giving of notice of such meeting.

Any fifty (50) or more members, by so petitioning the Board not less than

thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

The provisions of the subsection (b) shall not apply to a sale, lease, lease-sale, exchange, transfer or other disposition to one or more other rural electric cooperatives if the substantive effect thereof is to merge with such other one or more rural electric

cooperative corporations or the actual legal effect thereof is to consolidate with such other one or more rural electric cooperative corporations.

**SECTION 11.02. DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION.**

Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors, not inconsistently with the provisions of the third paragraph of Section 9.02 of these Bylaws, be distributed without priority but on a patronage basis among all persons who are members of the Cooperative at the time of the filing of the certificate of dissolution; PROVIDED, HOWEVER, that, if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such a distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

**ARTICLE XII**

**FISCAL YEAR**

The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the last day of the month of December following.

**ARTICLE XIII**

**RULES OF ORDER**

Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members of Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

**ARTICLE XIV**

**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, Texas".

## **ARTICLE XV**

### **AMENDMENTS**

These Bylaws may be altered, amended or repealed by resolution of the Board of Directors at any regular or special Board meeting. The notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal or an accurate summary explanation thereof.

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***PRESIDENT***

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***SECRETARY***

## **MAP OF DISTRICTS**

