

Bylaws



Concho Valley Electric Cooperative, Inc.

Bylaws

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ARTICLE I **MEMBERSHIP**

Section 1. Qualifications and Obligations

Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision thereof, or any body politic may become a member of the Cooperative by:

- (a) making written application for membership therein;
- (b) paying the membership fee hereinafter specified;
- (c) agreeing to purchase from the Cooperative electric energy as hereinafter specified; and
- (d) agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors.

No person may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in the Bylaws.

Membership status is subject to Board approval.

Section 2. Joint Membership

A husband and wife may apply for joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect to the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) the vote of either separately or both jointly shall constitute one joint vote; provided, that if both shall be present but in disagreement on such vote, each shall cast only $\frac{1}{2}$ vote;
- (c) a waiver of notice signed by either or both shall constitute a joint waiver;
- (d) notice to either shall constitute notice to both;
- (e) expulsion of either shall terminate the joint membership;
- (f) withdrawal of either shall terminate the joint membership;
- (g) either but not both concurrently may be elected or appointed as an officer or director provided that both meet the qualifications for such office;
- (h) divorce between the spouses shall terminate the joint membership; provided however, neither former spouse shall be released from any debts due the Cooperative.

Section 3. Conversion of Membership

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board. The Board shall take all necessary action to indicate the changed membership status.
- (b) Upon the death of either spouse who is party to the joint membership, such membership shall be held solely by the survivor. The Board shall take all necessary action to indicate the changed membership status, provided however, that the estate of the deceased shall not be released from any debts due the Cooperative.

Section 4. Membership Fee

The membership fee shall be specified in the tariff of the Cooperative as approved by the Board of Directors. Upon the payment of such fee, as well as such other fees, contributions and deposits required by the tariff of the Cooperative, the member shall be eligible for service connection.

Section 5. Purchase of Electric Energy and Granting of Easement

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his application for membership and shall pay therefore at rates which shall from time to time be fixed by the Board of Directors. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. 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 capital so furnished as provided by these Bylaws. Each member shall pay to the Cooperative such minimum amounts per month regardless of the amount of electricity 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.

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 not reflect such allocation and proration. Each member shall upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on, and under such lands owned by the member, and in accordance with such terms and conditions as the Cooperative shall require for the furnishing of electric service to the member or other members for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. In connection with providing electric service in a safe dependable manner, the Cooperative shall have the right and each member shall permit the clearing and maintaining rights of way, including but not limited to the trimming of trees and brush eradication.

Section 6. Suspension and Termination of Membership

- (a) Upon his failure, after the expiration of the time specified in the Substantive Rules of the Public Utility Commission of Texas after which a member's utility service may be disconnected and after notice to he/she to pay any amounts due the Cooperative or to cease any other non-compliance of his membership obligations, a person's membership shall automatically be suspended; and he/she 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 non-compliance of his membership obligations shall automatically reinstate the membership.

- (b) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors of the Cooperative may, by affirmative vote of not less than 2/3 of all the Directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules and regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least 10 days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members present at any annual or special meeting. The membership of a member who, for period of six (6) months after service is available to he/she, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be canceled by resolution of the Board of Directors.
- (c) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (d) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by he/she, provided however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debt or obligation owing from the member to the Cooperative.
- (e) 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 II **RIGHTS AND LIABILITIES OF MEMBERS**

Section 1. Property Interest of Members

Upon dissolution, after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided for in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members on the proportion which the aggregate patronage of each bears to the total patronage of all such members, unless otherwise provided by law.

Section 2. Non-Liability for Debts of the Cooperative

Members of the Cooperative shall be exempt from execution or any liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meeting

The annual meeting of the members shall be held at such time and place as shall be designated by the Board of Directors for the purpose of electing Directors, hearing and passing upon reports covering the previous year and transacting such other business as may properly come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual 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 President, by the Board of Directors, or a majority thereof, or by a petition signed by not less than 10% of all members and received by the Secretary, and it shall be the duty of the Secretary to cause notices of such meetings to be given as hereinafter provided. Special meetings of the members shall be held at such places as designated by the Board of Directors as specified in the notice of the special meeting.

Section 3. Notice of Meeting of Members

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 days or more than 30 days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the person calling the meeting, to each member. 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. The incidental and non-intended 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 grounds that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objections shall notify the Secretary prior to or at the beginning of the meeting of his objection.

Section 4. Quorum

Except as otherwise provided in the Articles of Incorporation or the Bylaws, at least fifty (50) or five percent (5%) of the members, that are present in person at the meeting, whichever shall be the larger, shall constitute a quorum. 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; 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 these Bylaws. A list of members present in person at the meeting shall be recorded.

Section 5. Voting

Each member who is not in a status of suspension, as provided for in Article I, Section 7, shall be entitled to only one vote on 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. 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 6. 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 include, except as otherwise determined by the members at such meeting, the following items:

1. Report of 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 publication of mailing thereof, or 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.
4. Presentation and consideration of reports of officers, directors, and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournments.

ARTICLE IV

DIRECTORS

Section 1. General Powers

The business and affairs of the Cooperative shall be under the direction of a board of seven (7) directors. The Board shall exercise all the powers of the Cooperative except such as are conferred upon or reserved to the members by law, the Articles of Incorporation or these Bylaws.

Section 2. Tenure of Office

Directors shall be so nominated and elected that one (1) director from each of the nominating areas, numbered 4 and 5B shall be elected for a three (3) year term at an annual meeting; one (1) director from each of nominating areas numbered 3 and 5A shall be elected for a three (3) year term at the next succeeding annual member meeting; and one (1) director from each of nominating areas 1, 2 and 6 shall be elected for three (3) year terms at the next succeeding annual member meeting, and continuing in that order thereafter. Upon election, Directors shall, subject to the provisions of the 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 successor shall have been elected and shall have qualified. If for any reason 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 meeting 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. Any Director absent for three (3) consecutive regular meetings of the Board of Directors without legitimate excuse acceptable by the majority of the remaining Directors, shall be automatically suspended from serving on the Board of Directors, subject to reinstatement by unanimous consent of the remaining Directors, provided however, such reinstatement is effective before a new Director shall have been appointed or elected.

Section 3. Qualifications

Any member who is a natural person shall be eligible to become or remain a director provided that he/she:

- (a) Is a member in good standing and presently resides and is receiving service, in the nominating area served, or to be served, by the Cooperative.
- (b) Is not an employee of the Cooperative or in any way financially interested in a competing enterprise or a business engaged in 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. However, the Board may grant exceptions for "de minimis" competing enterprises.
- (c) Is not, and for the (2) two years prior to nomination for director was not employed by any other electric cooperative, municipally-owned utility or investor owned utility.
- (d) Is not a former employee of the Cooperative who was terminated for cause. A former employee who was not terminated for cause may be eligible to become a Director no sooner than a date four (4) years from the time the member's employment with the Cooperative ended.
- (e) Is not engaged in active litigation against the Cooperative. A member may be eligible to become a Director no sooner than a date four (4) years from the time litigation against the Cooperative has concluded. A current Director may not be removed, or deemed ineligible to serve, as a result of a lawsuit directly related to his or her rights or duties as a Director.

- (f) Has not, while a Director, and during the ten (10) years immediately before becoming a Director, been convicted of or plead guilty to a felony, two (2) misdemeanors (excluding minor traffic violations), or any offense involving moral turpitude.
- (g) Is not a “close relative” of an incumbent Director or an employee of the Cooperative. However, no incumbent Director shall lose eligibility to remain or be reelected as a Director if he becomes a close relative of another incumbent Director or of a Cooperative employee because of a marriage to which he or she was not a party; neither shall an employee lose eligibility to continue in the employment of the Cooperative if he or she becomes a close relative of a Director because of a marriage to which he or she was not a party.
- (h) To remain a Director, the incumbent must:
 - i. Attend at least two-thirds of the regular monthly board meetings during each 12-month period, beginning with the month of his/her election, unless the remainder of the Board excuses such violation because of medical or personal emergency reasons; and
 - ii. Directors shall remain informed on industry information necessary to fulfill their fiduciary duties as Directors. Directors are encouraged, during each three-year term, to attend board-approved workshops and/or seminars related or pertaining to the continuing education, training, or industry information updates necessary to fulfill their duties as Directors.
- (i) Upon establishment of the fact that a Director nominee, or incumbent Director, is in violation of any of the provisions of this section, then that nomination or incumbent office shall be deemed vacant and the Board shall take the necessary action to remove such nominee from the election or the incumbent from office.
- (j) Nothing in this section shall affect in any manner whatsoever, the validity of any action taken at any meeting of the Board.

Section 4. Nominating Areas

The territories served or to be served by the Cooperative shall be divided into six (6) nominating areas, for the purpose of nominating candidates for Directors. The six (6) nominating areas shall be shown on the nominating area map in the Cooperative office.

Section 5. Nominations

A. Nominating Area Meetings

Not less than thirty (30) days nor more than sixty (60) days before any meeting at which directors are to be elected, the Board shall call a separate meeting of the members of each nominating area at a suitable place in such nominating area for the purpose of selecting a person as a candidate for Director. The notice of such meetings shall be delivered to each member located in such nominating area, as provided in Article III, Section 3 and shall indicate the nominating area to which such member belongs. The notice shall state that nominations for a director are to be made at the meeting. The meeting shall, however, be open for discussion of any other matters pertaining to the business of the Cooperative, regardless of

whether or not such matters are listed in the notice of the meeting and recommendations with respect thereto may be submitted to the Board or the entire membership. The nominating area meeting shall be called to order by the Director, by another designated representative of the Board, or in his absence, by any member residing within the nominating area. The members shall then proceed to elect a chairman, who shall be someone other than a director and who shall reside in the nominating area, and who shall appoint a secretary to act for the duration of the meeting. Three (3) members residing in the nominating area present in person at such duly called nominating area meeting shall constitute a quorum. Members of other nominating areas present at the meeting may be heard but shall have no vote.

Nominations for candidates for director shall be made from the floor at the meeting and any member residing in the nominating area shall have the right to nominate one (1) candidate. Candidates must be members receiving service from the Cooperative at their primary residential abode in the nominating area and must possess the qualifications for directors specified in Article IV, Section 3 of these Bylaws.

Voting shall be by ballot or by standing vote and proxy voting shall not be permitted at any nominating area meeting. Each member may vote for one (1) candidate. The candidate receiving a plurality of the votes cast shall be declared the official candidate of the nominating area. The minutes of such nominating area meeting shall set forth, among other matters; the name of each person nominated at the meeting and the number of votes received by each and shall specify the official candidate of the nominating area.

In the event a quorum cannot be obtained for any one of the nominating area meetings provided for herein, then and in such event the director serving the nominating area in which a quorum cannot be obtained, if otherwise eligible to succeed himself as Director, shall be declared the official nominee from that nominating area.

B. Nomination by Petition

Any twenty-five (25) or more members, each of whom must be an eligible voter in the district for which a nomination is being sought by petition, acting together may make other nominations by written petition by a deadline date as established and noticed by the Board of Directors and prior to the annual meeting of members. A member may sign only one petition in each election cycle.

The secretary shall mail, with the notice of the annual meeting of members, a statement of the number of directors to be elected and showing separately the nominations made by the area meetings and the nominations made by petition, if any. No additional nominations from the floor at the annual meeting of members shall be accepted.

Section 6. Election of Directors

At each annual meeting of the members, Directors shall be elected by secret written ballot by the members and from 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 Nominating Area and if there is no objection, secret written balloting may be dispensed with 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 unless the members in advance of any balloting resolve that a majority of the

votes cast shall be required to elect, and this Bylaw provision shall be drawn to the attention of the members and explained to them prior to the balloting. Drawing by lot shall resolve, where necessary, any tie votes.

Section 7. 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, within sixty (60) days of the date of the written charges, by not less than two hundred (200) members or ten percentum (10%) of all members, whichever shall be the lesser, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act on such charges. Cause for removal shall mean that the director is alleged to have committed an act or omission adversely affecting the business and affairs of the Cooperative and amounting to gross negligence, fraud or criminal conduct. Each page of the petition shall, in the forepart thereof, state the name(s) and the 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. If more than one (1) Director is sought to be removed, individual charges for removal shall be specific for each director. 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, as well as the date the member signed the petition. If the Board of Directors determines that the petition complies with the requirements of these Bylaws and only if the Secretary certifies the authenticity and required number of signatures of the members, the charge(s) against the Director(s) shall be heard and considered by a panel of five (5) members appointed by the Board. In making appointments to the investigatory panel, the Board shall give consideration to qualifications similar to that for selection to a county grand jury. After appointment and delivery of the petition to the panel, the Cooperative's Board of Directors, individually and collectively, shall have no contact with the panel unless called as witnesses before the panel. The panel of members shall investigate such charge(s) and determine if such charge(s), if true, constitute cause for removal of the Director(s), as defined in these Bylaws. In the event a majority of the panel determines that such charge(s), if true, would constitute cause for removal, then the notice of the meeting of members at which such charges are to be considered shall be given. In the event a majority of the panel should fail to determine that the charge(s) constitute cause for removal, but at least two (2) members determine and so indicate by written ballot that such charge(s), if true, constitute cause for removal, then, upon the written request of the member(s) making the charge(s), such charge(s) shall be reconsidered by another panel of five (5) members appointed by the Board of Directors. If a majority of the members of the second panel finds the charge(s), if true, constitute cause for removal, then the notice of the meeting of the members at which such charge(s) are to be considered shall be given. If a majority of the second panel fails to find that the charge(s), if true, constitute cause for removal, the charge(s) shall be dismissed. 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 nor more than thirty (30) days prior to the member meeting at which the matter will be acted upon; provided, that the notice shall set forth only ten (10) of the names (in alphabetical order) of the members filing one or more charges if ten (10) 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 thirty (30) days prior to the meeting of the members at which the charge(s) are to be considered. If charge(s) against Director(s) are determined by a panel to constitute cause for removal are true, a meeting of members to consider such charge(s) shall be called not less than sixty (60) nor more than ninety (90) days

following such panel's determination. At such meeting of the members, Director(s) so charged shall have the opportunity to be heard in person, by witnesses, by counsel, or any combination of such, and to present evidence in respect of the charge(s). The person(s) bringing the charge(s) shall have the same opportunities, 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. Provided however 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. Any vacancy created by removal of such board member shall be filled at the next regular or special board meeting as set forth in Article IV, Section 8. In the event after removal of Directors at such member meeting a quorum of the Board of Directors fails to remain, any vacancies will then be filled by election of the members at a special member meeting to be called not less than sixty (60) days nor more than seventy-five (75) days after such removal with nominations for Director being made pursuant to the procedures for nominations set forth in Article IV, Section 5 of these Bylaws.

Section 8. Vacancies

Subject to the provisions of Article IV, Section 7, of these Bylaws a vacancy occurring in the Board of Directors caused by death, resignation, ineligibility or removal shall be filled by the affirmative vote of a majority of the remaining board members for the unexpired portion of the term.

The Director so elected by the Board must be a member receiving service from the Cooperative at their primary residential abode in the same nominating area from which the former Director was nominated and must possess the qualifications for director specified in Article IV, Section 3 of these Bylaws.

Section 9. Compensation

Directors shall not receive any salary for their services as such, except that the Board of Directors may by resolution authorize Director's insurance coverage and a fixed sum for each day, or a portion thereof, spent on Cooperative business such as attendance at Director's meetings, authorized conferences, training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Directors may also be reimbursed for expenses actually and necessarily incurred in attending to such Cooperative 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 compensation shall be specifically authorized by a vote of the members, or the service by the board member or his close relative shall have been certified by the Board as an emergency measure.

Section 10. "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, aunt, uncle, niece, nephew, brother, or sister of the principal.

Section 11. Resignation by Director

A Director of the Cooperative may resign his seat at any time, effective immediately, or at such time as he may designate, upon notice of such resignation being given in writing and delivered to the Cooperative office or in an open meeting of the Directors.

ARTICLE V **MEETINGS OF DIRECTORS**

Section 1. Regular Meetings

A regular meeting of the Board of Directors shall be held monthly at such date, time and place as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolutions fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; provided 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 not less than five (5) days' notice to all Directors.

Section 2. 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 be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board, the President or the Directors calling the meeting shall fix the date, time and place for the meeting. Special meetings, upon proper notice as otherwise provided in Article V, Section 3 of these Bylaws, may also be held via telephone conference call without regard to the actual location of the Directors at the time of such telephone conference meeting, if all the Directors consent thereto.

Section 3. Notice of Directors' Meetings

Written notice of the date, time, place (or telephone conference call) 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/her 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 residence 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 a Director at any meeting of the Board shall constitute a waiver of notice of such meeting unless attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, upon the ground that the meeting shall not have been lawfully called or convened.

Section 4. Quorum

The presence in person of a majority of the Directors shall be required for the transaction of business and the affirmative vote of a majority of the Directors presence shall be required for any action to be taken except as otherwise provided by law, the Articles of Incorporation, or by these Bylaws. 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**

Section 1. Number and Title

The officers of the Cooperative shall be a President, Vice President, Secretary Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The officers of the Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office

The officers named in Section 1 shall be elected by majority vote, 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 such 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.

Section 3. Removal of Officers and Agents

Any officer, agent or employee 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 thereby be served.

Section 4. Vacancies

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

Section 5. 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, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign 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
- (c) 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. 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 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:

- (a) Keep, or cause to be kept, the minutes of meetings of members and of the Board of Directors in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) 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 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;
- (d) 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;
- (e) have general charge of the books of the Cooperative in which a record of the members is kept;
- (f) keep on file at all times a complete copy of the Cooperative's Articles of Incorporation and Bylaws, together with all amendments thereto, which copy shall always be open to the inspection of any member; and
- (g) 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 8. Treasurer

The Treasurer shall:

- (a) Have charge and custody of 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
- (c) 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 9. Delegation of Secretary's and Treasurer's Responsibilities

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herein before provided in Article IV, Sections 7 and 8 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 and routine administration of, one or more of each such officer's duties to one or more agents, other officers 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 10. Executive Vice President and CEO

The Board of Directors may appoint an Executive Vice President/CEO who may be, but who shall not be required to be, a member of the Cooperative. The Executive Vice President/CEO shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him.

Section 11. Bonds

The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with the 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 cost of all such bonds shall be borne by the Cooperative.

Section 12. Compensation and Indemnification

The compensation of officers, agents and employees shall be fixed, or a plan therefore approved by the Board of Directors subject to the provisions of these Bylaws with respect to compensation of Directors and close relatives of Directors. The Cooperative shall indemnify present and former directors, officers, Executive Vice president/CEO, 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 that the acts or omissions were in the best interest of the Cooperative or were not against the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

Section 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 year and showing the condition of the Cooperative at the close of such year.

ARTICLE VII **NON-PROFIT OPERATION**

Section 1. 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 members. No interest or dividend shall be paid or payable by the Cooperative on any capital furnished by its members.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy

In the furnishing of electric energy, the Cooperative operations shall be so conducted that all members will through their patronage furnish capital to the Cooperative.

In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis the Cooperative is obligated to account on a patronage basis to all its members for all amounts received from furnishing of electric energy in excess of operating cost 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 members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each calendar year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the calendar year notify each member of the amount of capital so credited to his account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had been furnished the Cooperative corresponding amounts for capital.

All non-operating margins shall, insofar as permitted by law, be used to offset any losses during the current or any prior fiscal year and to the extent not needed for that purpose, either:

Allocated to its members on a patronage basis and any amount so allocated shall be included as part of the capital to be allocated to the accounts of the various classes of members in an equitable manner as approved by the Board or used to establish and maintain a non-operating margin reserve not assignable prior to dissolution of the Cooperative.

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 in a pro rata basis before any payments are made on account of property rights of members. If at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial conditions of the Cooperative will not be impaired thereby, then subject only to such rules, regulations or restrictions as may be imposed upon the Cooperative with the respect thereto by the Internal Revenue Service, or by the National Rural Utilities Cooperative Finance Corporation (CFC), or any other lending institution or mortgage holder, the capital then credited to member's accounts may be retired in full or in part. After January 1, 1986, the Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. Provided however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that member (power supply or other service or supply portion) of capital credited to the accounts of members which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each member for each applicable calendar year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's members, (c) provide for appropriate notifications to members with respect to such portions of capital credited to their account and (d) preclude a general retirement of such members of capital credited to members for any calendar year prior to the general retirement of other capital credited to members for the same year or of any capital credited to members for any prior calendar year.

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

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

ARTICLE VIII **DISPOSITION OF PROPERTY**

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

- (a) property which in the judgment of the Board of Directors neither is, nor will be necessary or useful in operating and maintaining the Cooperative's system and facilities; provided however, that all sales of such property shall not in any one (1) year exceed in value ten percentum (10%) of the value of all the property of the Cooperative;
- (b) services of all kinds, including electric energy; and
- (c) personal property acquired for resale, unless such sale, mortgage, lease, lease-sale or other disposition or encumbrance is authorized at a meeting of the members at which the notice of such proposed transaction shall have been contained in the notice of the meeting and is approved by the affirmative vote of at least two-thirds (2/3) of the total members of the Cooperative, PROVIDED HOWEVER, that notwithstanding anything herein contained, the Board of Directors, without further authorization by the members, shall have full power and authority to borrow money from the United States of America, or any agency of instrumentality thereof, or from any national financing institution organized on a cooperative plan for the purpose of financing its members' programs, projects and undertakings and in which the Corporation holds membership, or from any other financing or lending entity, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidences of indebtedness and to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbrancing of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Corporation, wherever situated and whether acquired or to be acquired, all upon such terms and conditions as the Board of Directors shall determine.

In the event such proposed sale, mortgage, lease as Lessor, lease-sale, consolidation pursuant to article 161.201, Texas Utilities Code or other disposition or encumbrance is deemed by a two-thirds (2/3) vote of the entire Board of Directors of the Cooperative as favorable and not adverse or hostile, and such transaction is to be with one or more electric cooperatives organized and operating under Texas Electric Cooperative Corporation Act who have not previously adopted a conversion plan for converting to a "for-profit" status, the number or percentage of the Cooperative's members who must affirmatively vote for the transaction in order to authorize it shall be a simple majority of the members present in person at the meeting where the transaction's approval is brought to a vote or as may be specified in Section 161.201 of the Texas Utilities Code, if applicable. Otherwise, such transaction must be approved by the affirmative vote of two-thirds (2/3) of the total members of the Cooperative or as set out in Section 161.201, Texas Utility Code, if applicable.

Except as hereinafter provided, in addition to the provision contained in (a), (b) and (c) above, no sale, lease, lease-sale, exchange or other disposition of all or a substantial portion of the Cooperative's assets to any other entity shall be authorized except in conformity with the following:

- (1) If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange or other disposition, it shall first cause three (3) independent appraisers, expert in such matters, to render their individual opinions as to the value of the sale, exchange 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 Judge for the Judicial District in Texas which the Cooperative's headquarters are located. If such Judge refuses to make such designation, they shall be made by the Board of Directors.
- (2) If the Board of Directors, after receiving such appraisals (and other terms and conditions which are recommended, if any) determine that the proposal should be submitted for consideration by the members, it shall first give every other electric cooperative corporation cited and operating in the State of Texas (which has not made such an offer for such sale, lease, lease-sale, exchange or other disposition) an opportunity to submit competing proposals. Such an opportunity shall be in the form of a written notice to such electric cooperatives, which notice shall be attached to a copy of the proposal which the cooperative has already received and a copy of the reports of the three (3) appraisers. Such electric cooperative corporation 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.
- (3) 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 notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof, which meeting shall not be held sooner than ninety (90) days after the giving of such notice to the members; provided, that the consideration thereof by the members may be given at the next annual member meeting if the Board so determines and if such annual member meeting is not held sooner than ninety (90) days after the giving of such notice.
- (4) 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 recommendations that the Board has made. Provided, however, the foregoing provisions contained in (1), (2), (3) and (4) above shall not apply to a sale, lease, lease-sale, exchange or other disposition or consolidation to or with one or more electric cooperative corporations operating under the Electric Cooperative Corporation Act of Texas, who have not previously adopted a conversion plan for converting to a "for-profit" status and such transaction has been deemed by an affirmative vote of at least two-thirds (2/3) of the Board of Directors as favorable and not adverse or hostile, if the substantive effect thereof is to merge or consolidate with one or more of such electric cooperative corporations.

ARTICLE IX SEAL

The Corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the word "Corporate seal, Texas."

ARTICLE X FINANCIAL TRANSACTIONS

Section 1. Contracts

Except as otherwise provided in these Bylaws, the Articles of Incorporation or by statute, the Board of Directors may authorize any officer or officers, agent or agents, to enter a contract or execute and deliver any instrument in the name and on behalf of the Cooperative and such authority may be general or consigned to specific instances.

Section 2. Checks and Drafts

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 or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution by the Board of Directors.

Section 3. Deposits and 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.

Section 4. Fiscal Year

The fiscal year of the Cooperative shall be as determined by resolution of the Board of Directors pursuant to good accounting standards and procedures.

ARTICLE XI MISCELLANEOUS

Section 1. Membership in Other Organizations

The Cooperative shall not become a member of or purchase stock in any other organization without the affirmative vote of a majority of the Board of Directors present at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided however, that the Cooperative may upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or any other corporation for the purpose of acquiring electric facilities.

Section 2. Waiver of Notice

Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director, except in case a member or director shall attend a meeting

for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 3. Policies, Rules and Regulations

The Board shall have the power to make and adopt such policies, rules and regulations not inconsistent with the law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 4. Accounting System and Reports

The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to electric utility generally accepted accounting principals. The Board shall also after the close of each fiscal year cause to be made by a Certified Public Accountant, a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

Section 5. Area Coverage

The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

Section 6. Rules of Order

Parliamentary procedure at all meetings of the members, of the Board of Directors, or any committee provided for in these Bylaws, and of any other committee of the members or 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.

Section 7. Gender

When the context of these Bylaws requires, masculine nouns and pronouns shall include the feminine.

ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended, or repealed by the affirmative vote of not less than two-thirds (2/3) of all the Board of Directors at any regular or special meeting provided that the notice of such meeting shall have contained a copy of the proposed alteration and amendment or repeal.