

**BYLAWS
OF
RITA BLANCA ELECTRIC COOPERATIVE, INC.**

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ARTICLE I

MEMBERSHIP

Section 1.01 RELATIONSHIP OF MEMBER TO OTHER MEMBERS AND THE COOPERATIVE

(1) Interdependence. By becoming a Member, the Member acknowledges that: (1) Every Member is a vital and integral part of Rita Blanca Electric Cooperative, Inc. (“the Cooperative”); (2) the Cooperative’s successful operation depends upon each Member complying with the articles of incorporation, these bylaws and any amendment thereof, as well as any applicable Membership Agreement; and (3) Members are united in an interdependent relationship.

(2) Mediation of Disputes. As requested by either the Cooperative or a Member, a Member shall: (1) submit a claim or dispute between the Member and the Cooperative regarding the Governing Documents, the Cooperative’s provision of a Cooperative Service, or the Member’s use of a Cooperative Service to mediation. Mediation is a mandatory, but non-binding settlement conference, in which an impartial person, the mediator, facilitates communication between the parties to promote settlement of a claim or dispute. The mediation shall be conducted in accordance with Chapters 152 and 154 of the Texas Civil Practice & Remedies Code; and (2) indemnify the Cooperative for, and hold the Cooperative harmless from, liabilities, damages, costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by a Cooperative Director, Officer, employee, agent, or representative (“Cooperative Official”), and caused by the Member’s negligence, gross negligence, or willful misconduct, or by the unsafe or defective condition of a Location Occupied by the Member.

(3) Laws and Articles. These Bylaws are subject to Law and the Articles of Incorporation of Rita Blanca Electric Cooperative, Inc. If, and to the extent that, a Bylaw conflicts with Law or the Articles, then the Law or Articles control. “Law” includes applicable:

- (a) local, state and federal constitutions, statutes, ordinances, regulations, holdings, rulings, orders, and similar documents or actions, whether legislative, executive, or judicial; and
- (b) legally binding contracts enforceable by or against the Cooperative, including legally binding contracts between the Cooperative and an Applicant or Member.

(4) Usage: Within these Bylaws of Rita Blanca Electric Cooperative, Inc., as currently existing or as later amended, except as otherwise provided and subject to the context requiring otherwise:

- (a) words and phrases have their customary and ordinary meaning;
- (b) the singular use of a word includes the plural use and the plural use of a word includes the singular use;
- (c) the masculine use of a word includes the feminine and neutral uses, the feminine use of a word includes the masculine and neutral uses, and the neutral use of a word includes the masculine and feminine uses;
- (d) the present tense of a word includes the past and future tenses, and the future tense of a word includes the present tense;
- (e) the words “shall” and “must” are words of obligation, with “shall” meaning “has a duty to” and “must” meaning “is required to”;
- (f) the word “may” is a word of discretion meaning “has discretion to,” “is permitted to,” “is authorized to,” or “is entitled to.”
- (g) the words “may ... only” are words of limited discretion and prohibition;
- (h) the words “shall not,” “must not,” and “may not” are words of prohibition, with “shall not” meaning “has a duty not to,” “must not” meaning “is required not to,” and “may not” meaning “has no discretion to,” “is not permitted to,” “is not authorized to,” and “is not entitled to.”
- (i) an exception to a word of obligation is a word of discretion and an exception to a word of discretion is a word of prohibition;
- (j) the words “except as otherwise provided,” “subject to,” and similar words are words of limitation and exception;
- (k) the words “include,” “includes,” and “including” mean “include without limitation,” “includes without limitation,” and “including without limitation.”
- (l) the word “or” is inclusive, with “A or B” meaning “A or B or both.”
- (m) the word “individual” means a “natural person” or “human being.”
- (n) **“Cooperative Service”** is: (1) electric energy provided by the Cooperative; and (2) as determined by the Cooperative’s Board of Directors (“Board”), a good or service provided by the Cooperative.
- (o) **“Governing Documents”** are the written membership application signed by an Applicant or Member and the following documents and actions, all as currently existing or as later adopted or amended: (1) all Law regarding or affecting the Cooperative’s property, property rights, and assets (“Assets”), the Cooperative’s operation, the Cooperative’s Members and Patrons, the Provision and Use of Cooperative Services, Cooperative Equipment, and Member Equipment connected to Cooperative Equipment; (2) the Articles; (3) these Bylaws; (4) the Cooperative’s service rules and regulations; (5) the Cooperative’s rate or price schedules; and (6) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board.
- (p) **“Close relative”** means a person who, by blood or in law, including step and adoptive kin, is either a spouse, a child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.

Section 1.02 MEMBER QUALIFICATIONS

Any natural person or entity, including a corporation, partnership or body politic, may become and remain a member in the Cooperative only if the natural person or entity:

- (1) has the capacity to enter legally binding contracts;
- (2) pays the membership fee;
- (3) consumes, receives purchases or uses or agrees to purchase from the Cooperative electric energy as hereinafter specified;
- (4) agrees to comply with and be bound by the articles of incorporation of the Cooperative and these bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the board of directors;
- (5) properly completes an application on such form as may be promulgated by the Cooperative, and
- (6) has been accepted for membership by the Cooperative's board of directors. Subject to the provisions of these Bylaws, a person or entity that has met the qualifications for membership shall be a member.

Section 1.03 ONE MEMBERSHIP PER PERSON

No person or entity may own more than one (1) membership in the Cooperative.

Section 1.04 MEMBERSHIP AGREEMENT

(1) Compliance with Governing Documents. A Member shall: (1) comply with the Governing Documents; and (2) pay the Cooperative for the Cooperative's damages, costs, or expenses, including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents. If a Member fails to comply with the Governing Documents, then, as provided in these Bylaws, the Cooperative may suspend or terminate the Member or a Cooperative Service provided to the Member. Regardless of whether money damages are available or adequate, the Cooperative may: (1) bring and maintain a legal action to enjoin the Member from violating the Governing Documents; and (2) bring and maintain a legal action to order the Member to comply with the Governing Documents.

(2) Membership Application. With respect to any particular classification of service for which the Board of Directors shall require it, the application shall be accompanied by a supplemental contract, executed by the applicant on such form as may be promulgated by the Cooperative. The membership application shall also be accompanied by the membership fee provided for in Section 1.8 together with any security deposit, service connection deposit or fee, facilities extension deposit or contribution in aid of construction that may be required by the Cooperative. The membership fee, security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any, shall be refunded in the event the application is not approved.

Section 1.05 RENEWAL OF APPLICATION FOR MEMBERSHIP

A former member of the Cooperative may, by paying a new membership fee and any outstanding account plus accrued interest thereon at the State legal rate on judgments in effect when such account first became overdue, compounded annually, together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of 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 1.06 MEMBERSHIP FEE; SERVICE SECURITY AND FACILITIES DEPOSITS; CONTRIBUTION IN AID OF CONSTRUCTION

The membership fee, together with any security deposit, or service connection deposit or fee, facilities extension deposit or contribution in aid of construction, or any combination thereof, if required by the Cooperative, shall entitle the member to service connection. A service connection deposit in such amount as shall be prescribed by the Cooperative, together with a security deposit, a facilities extension deposit or a contribution in aid of construction, if required by the Cooperative, shall be paid by the member for each additional service connection requested by member. Any fee, deposit or contribution required to initiate service shall be paid in advance of any construction or connection of facilities.

Section 1.07 JOINT MEMBERSHIP

A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1.01, 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 action by or in respect of the holders of a joint membership shall be as follows;

- (1) 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.
- (2) The vote of either or both shall constitute, respectively, one joint vote: PROVIDED that if both are present but in disagreement on such vote, each shall cast only one-half (1/2) vote.
- (3) If only one Joint Member votes on a matter; signs a petition, consent, waiver, or other document; or otherwise acts, then the vote, signature, or action binds the Joint Membership and constitutes one vote, signature, or action;
- (4) Suspension or termination in any manner of either or both shall constitute, respectively, suspension or termination of the joint membership; and
- (5) Either, but not both concurrently, shall be eligible to serve as a director of the Cooperative;

- (6) A membership held jointly by a husband and wife shall, upon the death of either, be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to the survivor. The joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Cooperative; the certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

Section 1.08 MEMBERSHIP FEE

The membership fee shall be fixed from time to time by the Board.

Section 1.09 MEMBER OBLIGATIONS

Each member shall:

- (1) Purchase from the Cooperative all electric energy used on the premises specified in member's application for membership as soon as electric energy shall be available. The board of directors may limit the amount of electric energy which the Cooperative shall be required to furnish;
- (2) Comply with member's obligations as set forth in:
 - (a) any applicable provisions of law;
 - (b) the articles of incorporation of the Cooperative as may be amended;
 - (c) the bylaws of the Cooperative as amended from time to time;
 - (d) any contract between the Cooperative and Member; and
 - (e) any tariff, rate schedules, service rules, regulations or policies of the Cooperative, as may be adopted from time to time.
- (3) If required by the Cooperative for a Cooperative Purpose:
 - (a) provide the Cooperative safe and reliable access to or use of member property; and
 - (b) pursuant to terms and condition specified by the Cooperative, and without compensation from the Cooperative, properly grant and convey to the Cooperative an easement in Member's property, and execute, notarize and deliver to the Cooperative a written easement on such form as the Cooperative may promulgate. A "Cooperative Purpose" is, at any time: (1) purchasing, installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading, or replacing Cooperative equipment or member equipment connected to Cooperative equipment; (2) providing a Cooperative service to a member or one or more other members; (3) monitoring,

measuring, or maintaining a Cooperative service; (4) providing electric energy to one or more persons; (5) monitoring, measuring, or maintaining electric energy provided to one or more persons; (6) authorizing, permitting, satisfying, or facilitating an obligation incurred, or right granted, by the Cooperative regarding use of Cooperative equipment; or (7) safely, reliably, and efficiently operating the Cooperative or providing a Cooperative service.

Section 1.10 ACCEPTANCE INTO MEMBERSHIP

Upon complying with the requirements for membership an applicant shall by Board resolution be accepted into membership unless the Board of Directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that an applicant should be rejected for other good cause.

Section 1.11 PURCHASE OF ELECTRICITY

Each member, shall purchase from the Cooperative all central station electric power and energy for use on member's premises, unless and except to the extent that the Board of Directors may in writing waive such requirement.

Section 1.12 PAYMENT FOR ELECTRIC SERVICE

(1) Payment Required. Member shall pay for electric service at the times, 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 any supplemental contract that may have been entered into as provided for in Section 1.4. Each member shall also pay all other amounts owed by member to the Cooperative as and when they become due and payable.

(2) Partial Payment. If a member having more than one account with the Cooperative makes a payment that is insufficient to pay the total amount due for all of member's accounts, the Cooperative may credit member's accounts in any manner deemed appropriate but all of member's accounts shall be deemed delinquent and electric service to all service connections shall be subject to termination in accordance with the Cooperative's tariffs until the full amount owing to the Cooperative is paid.

Section 1.13 POWER PRODUCTION BY MEMBER

Production or use of electric energy on member's 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.

Section 1.14 EXCESS PAYMENTS 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 VIII of these Bylaws.

Section 1.15 WIRING OF PREMISES; RESPONSIBILITY THEREFOR; RESPONSIBILITY FOR METER TAMPERING OR BYPASSING AND FOR DAMAGE TO COOPERATIVE PROPERTIES; EXTENT OF COOPERATIVE RESPONSIBILITY; INDEMNIFICATION

Member shall cause member's premises to become and to remain wired in accordance with the specifications of the National Electrical Safety Code, any applicable state code or local government ordinances, and of the Cooperative. Member shall be responsible for and shall indemnify the cooperative and any other person against death, injury, loss or damage resulting from any defect in or improper use or maintenance of such premises and all wiring and apparatus connected thereto or used thereon in accordance with the Cooperative's tariffs. Member shall make available to the Cooperative a suitable site, as determined by the Cooperative, for the Cooperative's physical facilities and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto for all inspection, maintenance, replacement, relocation or repair at all times. Member shall not interfere with or impair the operation of or cause damage to Cooperative's facilities, and shall use member's best efforts to prevent others from so doing. Member shall also provide such protective devices as may be necessary or desirable to prevent damage to member's equipment and other property. In the event Cooperative's facilities on member's premises 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 any other person against death, injury, loss or damage resulting, 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. In no event shall the responsibility of the Cooperative extend beyond the point at which its service wires are attached to the meter loop provided for measuring electricity or, if owned by the Cooperative, the meter base used on such premises, except in the case of standby generation serving multiple service points as specified by the Cooperative's service rules and regulations.

Section 1.16 LOAD MANAGEMENT PROGRAMS

Member shall, upon being requested so to do by the Cooperative, participate in any program initiated by the Cooperative to enhance load management or more efficiently to utilize or conserve electric energy.

Section 1.17 NO LIABILITY FOR DEBTS OF THE COOPERATIVE

The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative. A Member may become liable to the Cooperative as provided in the Governing Documents or as otherwise agreed to by the Cooperative and the Member.

Section 1.18 COOPERATIVE SERVICE

The Cooperative shall Provide Cooperative Services to Members in a reasonable manner. The Cooperative, however, does not insure, guarantee, or warrant that it will provide adequate, continuous, or non-fluctuating electric energy or other Cooperative Service. The Cooperative is not liable for damages, costs, or expenses, including attorney fees or legal expenses, caused by the Cooperative providing inadequate, noncontinuous, or fluctuating electric energy or other Cooperative Service, unless the damages, costs, or expenses are caused by the Cooperative's gross negligence or willful misconduct. The Cooperative's responsibility and liability for providing a Cooperative Service terminate upon delivery of the Cooperative Service to a Member. In case of emergency, or as requested by government or emergency officials or representatives, the Cooperative may interrupt the Provision of Cooperative Services to Members.

ARTICLE II

MEMBERSHIP SUSPENSION AND TERMINATION

Section 2.01 SUSPENSION; REINSTATEMENT

Upon member's failure, after the expiration of the initial time limit prescribed either in a specific notice to member to pay any amounts due the Cooperative or to cease any other non-compliance with member's membership obligations, a person's membership shall automatically be suspended; and member 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 member's membership obligations within the final time limit provided in such notice 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, member may, be expelled by the Board of Directors at any subsequently held regular or special meeting of the Board.

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;

- (1) Ceasing to, or with approval of the Board of Directors, resigning member's membership in favor of a new applicant who also shall own or directly occupy or use all premises being furnished electric service pursuant to member's membership, or except when the Board of Directors specifically waives such condition,
- (2) Abandoning totally and permanently the use of central station electric service on such premises.

The membership of a member who for a period of six (6) months after service is available to member has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the Board.

Section 2.04 TERMINATION BY DEATH OR CESSATION OF EXISTENCE; CONTINUATION OF MEMBERSHIP IN REMAINING OR NEW PARTNERS

Except as provided in Section 2.07, the death of an individual human member shall automatically terminate member's 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 partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership.

Section 2.05 SUSPENSION OR TERMINATION OF COOPERATIVE SERVICE.

After providing a Member reasonable notice and an opportunity to comment orally or in writing, the Cooperative may suspend or terminate the provision of a Cooperative Service to the Member for a Suspension Reason. Without providing a Member notice or an opportunity to comment, the Cooperative may suspend or terminate the provision of a Cooperative Service to the Member upon determining or discovering:

- (1) that Cooperative Equipment used to provide the Cooperative Service has been tampered with, altered, interfered with, damaged, or impaired;
- (2) that Member Equipment connected to Cooperative Equipment adversely impacts the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or provide a Cooperative Service;
- (3) the unsafe condition of Cooperative Equipment or Member Equipment connected to Cooperative Equipment; or
- (4) an imminent hazard or danger posed by Cooperative Equipment or Member Equipment connected to Cooperative Equipment.

Section 2.06 EFFECT OF TERMINATION

Upon termination of a membership, the Cooperative shall repay to the member the membership, less any debts or obligations owed by the member. The membership fee may be refunded by issuing a check and mailing it to the member at member’s last known address, as reflected on the records of the Cooperative.

Section 2.07 EFFECT OF DEATH, LEGAL SEPARATION OR DIVORCE UPON A JOINT MEMBERSHIP

Upon the death of either spouse holding 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 shall not be released from any debts or obligations 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 debts due the Cooperative.

Section 2.08 BOARD ACKNOWLEDGMENT 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 practicable 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

MEETINGS OF MEMBERS

Section 3.00 MEMBERSHIP LIST

The Cooperative shall maintain a written or electronic record of current Members in a form permitting the Cooperative to: (1) alphabetically list the names and addresses of all Members;

Except as otherwise provided by these Bylaws or the Board, a Person may not inspect, copy, or receive a copy of all or part of the Membership List or a similar list of Members.

Pursuant to this Bylaw, and in a manner determined by the Board, upon delivery to the Cooperative at least five days in advance of a written notice or request signed by a Member who has been unsuspended during the immediately preceding 12 months, the Member, or the Member's agent or attorney, may: (1) inspect and copy the Membership List during regular business hours at a reasonable location specified by the Cooperative; or (2) pay the Cooperative a reasonable charge determined by the Cooperative covering the labor and material costs of producing, reproducing, copying, or transmitting the Membership List, which charge may not exceed the estimated costs of producing, reproducing, copying, or transmitting the Membership List, and the Cooperative must provide the Member a written or, if requested, electronic copy of the Membership List.

A Member, Member's agent, or Member's attorney, however, may inspect, copy, or receive a copy of the Membership List only if, as determined by the Cooperative: (1) the Member's notice or request is made in good faith and for a proper purpose; (2) the Member describes with reasonable particularity the purpose for which the Member will use the Membership List; and (3) the Membership List is directly connected with the Member's purpose.

Except as otherwise provided by the Board, a Person may not: (1) obtain or use all or part of the Membership List for a purpose unrelated to a Member's interest as a Member; (2) use all or part of the Membership List to solicit money or property, unless the money or property is used solely to solicit Member votes in a Cooperative election or vote; (3) use all or part of the Membership List for a commercial purpose; or (4) sell or purchase all or part of the Membership List.

Except as otherwise provided by the Board, a Person shall comply with any reasonable terms, conditions, or requirements imposed by the Cooperative to protect against use of all or part of the Membership List for improper purposes or prohibited uses.

Instead of making the Membership List available for inspection or copying, or providing a copy of the Membership List, the Cooperative may, within five days of receiving a notice or request from a Member, offer the Member an alternative method for reasonably and timely accomplishing the purpose identified by the Member without providing access to or a copy of the Membership List.

Except as otherwise provided by these Bylaws or the Board, the Cooperative may not sell, transfer, disclose, distribute, or otherwise dispose of all or part of the Membership List or a similar list or record of Members or Member information.

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 during the first quarter of each year, at such place within the counties of Dallam, Hartley, Sherman or Moore

in the State of Texas, and beginning at such hour as the Board of Directors shall fix; PROVIDED, that, for good cause, the Board of Directors may fix a different date for such annual meeting not more than thirty (30) days prior or subsequent to the day otherwise established for a meeting in this section. 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 may be called by any three (3) Directors, by the President, by resolution of the Board or upon written request signed by not less than ten (10%) percent of the members. It shall be the duty of the Secretary to cause notice of special meetings as provided in Section 3.03. A special meeting shall be held at any place within the service area of the Cooperative in the State of Texas, on such date, and beginning at such hour as shall have been designated by those calling 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 of 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. Notice may be delivered either personally or by mail. Mail delivery may be by separate mailing, or inclusion in a periodic newsletter or member service billings. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at member's address as it appears on the records of the Cooperative. The failure of any member to receive notice shall not invalidate any action which may be taken by the members, 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.

Section 3.04 QUORUM

Business may not be transacted at any meeting of the members unless there are present in person at least five (5%) percent 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 adjourn the meeting to another time and date not less than thirty (30) days later and to a place in which a member meeting may be held pursuant to Sections 3.01 and 3.02; 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 is present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those who were registered as present.

Upon a member being present or represented for any purpose at a Member Meeting, the Member is deemed present for Member Quorum purposes for the remainder of the Member Meeting and for any adjourned Member Meeting, unless a new Record Date is, or must be, set for that adjourned Member Meeting

Section 3.05 VOTING

Each member who is not in a status of suspension, as provided for in Article II, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Members that are not natural persons shall designate at the time of application for membership the person who will vote on behalf of the non-natural member. Such designation may be changed by written notification received by the Cooperative not less than 45 days prior to the annual meeting. No single person shall be entitled to cast more than one vote at any meeting of the members. 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 mail. The Board of Directors may specifically approve mail voting for a certain issue to be presented to the members.

For a Member Written Consent, Member Meeting Waiver of Notice, or other document allegedly executed by, or on behalf of, a Member (collectively, "Member Voting Document")

- (1) the Cooperative may accept, and give effect to, the Member Voting Document if: (A) the name signed on the Member Voting Document corresponds to a Member's name, and the Cooperative acts in good faith; or (B) the Cooperative reasonably believes the Member Voting Document is valid and authorized;
- (2) the Cooperative may reject, and not give effect to, the Member Voting Document if the Cooperative: (A) acts in good faith; and (B) has a reasonable basis for doubting the validity of the signature on the Member Voting Document or the validity of the signatory's authority to sign on behalf of the Member; and
- (3) the Cooperative, and a Cooperative Member or Official, are not liable to a Member for accepting or rejecting a Member Voting Document as provided in this Bylaw.

Section 3.06 ORDER OF BUSINESS

The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (1) 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 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 Board members.
- (6) Unfinished business.
- (7) New business and;
- (8) 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 business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

Section 3.07 CREDENTIALS AND ELECTION COMMITTEE

(1) Board to Appoint. The Board of Directors shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee consisting of five (5) members who are not existing Cooperative officers, Directors or known candidates for Directors, and who are not close relatives, as hereinafter defined, or members of the same household of Cooperative officers, existing Directors or known candidates for Directors. The Board shall appoint one member from each of the Cooperative's four (4) Director Districts and one member-at-large to serve on the Committee.

(2) Duties of Committee. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularity or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of Directors, including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and 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, upon

notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall provide an opportunity for the protestor(s) or objector(s), to be heard in person or by counsel. 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, which may be either to affirm or change the results of the election or to set aside the election. The Committee's decision as reflected by a majority of those actually present and voting, on all matters covered by this section shall be final. On request of the person presiding at the meeting of members or any member entitled to vote, the Committee shall make a written report of any matter determined by the Committee including findings of fact. The report shall be prima-facie evidence of the facts stated.

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 comprised of two directors from each of the four (4) director districts (total of eight (8)) plus one director from a district determined in rotation as described herein. 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

To become or remain a director, a person must meet the following qualifications:

- (1) Be a natural person over the age of 18 years and a member of the cooperative for at least 12 months; or be a representative of a member such as a church or corporation that is not a natural person that is in substantial permanent occupancy, direction or use of a premises served by the Cooperative and the representative is a permanent and year-round resident within or in close proximity to an area served by the Cooperative;
- (2) Not be employed by or have a material financial interest in a competing enterprise or business that sells electric energy or a supplier, contractor, consultant or any other entity with which the cooperative does a substantial amount of business;
- (3) Not be employed by the cooperative and not have been employed by the cooperative for a period of two years before becoming a director;
- (4) Not have been convicted of any criminal offense involving dishonesty or breach of trust;
- (5) Not have a final judgment entered in a civil action on the grounds of fraud, deceit or misrepresentation;
- (6) Not have a payment due the cooperative that is more than 90 days delinquent;

- (7) Not hold an elected public office in connection with which a salary is paid;
- (8) When membership is held jointly by the husband and wife, either one, but not both, may be elected a director, provided that the spouse elected meets the qualifications hereinbefore set forth;
- (9) Not be a close relative of an incumbent Director;
- (10) Have the capacity to enter legally binding contracts;
- (11) Not have been previously removed as a Director;
- (12) While a Director, and during the five years immediately before becoming a Director, not be convicted of, or plead guilty to, a felony;
- (13) Before becoming a Director, graduate from high school or earn an equivalent degree or certification;
- (14) Except as otherwise provided by the Board for good cause, attend at least two-thirds of all Board Meetings during each calendar year; and
- (15) Comply with any other reasonable qualifications determined by the Board.

Upon establishment of the fact that a nominee for a 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 the Director to be removed.

Section 4.03 ELECTION

(1) Members to Vote on All Matters. Each member present at a meeting of the members shall be entitled to vote on each matter submitted to a vote at the meeting. All directors shall be elected by the members as a whole. Directors shall not be elected by only those members residing in a single directorate district.

(2) Manner of Voting. At each annual meeting of the members, Directors shall be elected by secret written ballot by the members and, except as provided in 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 Directors' District, secret written balloting may be dispensed with in respect of that particular election and voting may be conducted in any other proper manner. Directors shall, unless the members determine otherwise prior to the initial balloting, be elected by a plurality vote of the members, and the presiding chairman shall cause the foregoing provision of this section to be duly and timely announced to the members. If a Director position is unfilled after the first round of voting, then voting must be repeated until the Director position is filled, with the nominee receiving the lowest number of votes removed from the next round of voting. As determined by the individual presiding at the Member Meeting, the number of votes received by each nominee will or will not be announced.

Section 4.04 TERM

(1) Three Years. Directors shall be so nominated and elected that one Director from each of the Director Districts shall be elected for three-year terms at an annual membership meeting. In addition, every three years there shall also be elected a Director from a district determined in rotation, according to the provisions hereinafter set forth. Upon their 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 term expires or until their successors shall have been elected and shall have qualified. In order to achieve proper director rotation for three-year terms, the directors shall in 2012 draw by lot for a term of one, two, or three years.

(2) Holding Over. If for any reason an election of Directors shall not be held at an annual meeting of the members, such election may be held at an adjournment of such meeting or at a subsequently held special meeting or at 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.

Section 4.05 DIRECTOR DISTRICTS

The territory served by the Cooperative shall be divided into four (4) Director Districts. The four (4) Districts shall be as follows:

- (1) District No. 1 shall be all of Dallam County, Texas.
- (2) District No. 2 shall be Sherman County and all of that part of Hansford County, Texas, in which members of said Cooperative reside and have their service.
- (3) District No. 3 shall be Moore County, Texas and all of that portion of Hutchinson County, Texas, and that portion of Potter County, Texas, in which members of the Cooperative reside, and have their service.
- (4) District No. 4 shall be Hartley County, Texas and that portion of Oldham County, Texas in which members of the Cooperative reside and have their service.

Section 4.06 DIRECTOR DISTRIBUTION

(1) District Directors. As the terms of the directors expire and new directors are elected, each election district shall be entitled, and there shall be elected from each director district, two (2) directors, and said directors shall reside or have their service in the district as follows:

- (1) Two directors who reside in and/or have their service in Election District No.1 shall be elected by the members..
- (2) Two directors who reside in and/or have their service in Election District No. 2 shall be elected by the members..

- (3) Two directors who reside in and/or have their service in Election District No. 3 shall be elected by the members..
- (4) Two directors who reside in and/or have their service in Election District No. 4 shall be elected by the members.

(2) Director From Rotating District. In addition, a Director who resides in and/or has service in a director district determined in rotation shall be elected. The district from which the director is to be elected shall change at two year intervals in the following sequence: district four (4), district three (3), district one (1) and district two (2).

Section 4.07 NOMINATIONS

(1) Nominating Committee. It shall be the duty of the Board of Directors to appoint, not less than seventy (70) days nor more than one hundred fifty (150) days before the date of a 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 who shall be selected from different districts so as to insure equitable representation. No member of the Board and no incumbent Director or close relative of such Directors or known candidate for Director may serve on this Committee. The Committee shall prepare and post at the principal office of the Cooperative at least sixty-five (65) days prior to the meeting a list of nominations for Directors to be elected, listing separately the nominee or nominees with respect to each Director District. The nominating committee shall also nominate one or more persons to serve as Director from a district determined in rotation if such a Director is to be elected at the next annual meeting of members.

(2) Nomination by Petition. Any fifteen (15) or more members of the Cooperative, acting together, may make additional nominations by petition in writing over their signatures delivered to the Secretary at least 60 days before the annual meeting, and, after verifying that a Member Petition complies with this Bylaw, the Cooperative shall display the Member Petition Nomination in approximately the same location as the Nominating Committee Nominations. The Secretary shall mail to the members, with the notice of the meeting, or separately, but not less than ten (10) days prior to the date of the meeting, a statement of the Directors to be elected and the names and addresses of all nominees.

(3) Nominations From the Floor. Nominating Members may not nominate at, or from the floor of a Member Meeting, an individual to run for election to a Director position scheduled for election at the Member Meeting.

Section 4.08 VOTING FOR DIRECTORS

In the election of Directors, each member present at the meeting of members shall be entitled to cast one vote for each directorate position for which an election is being conducted.

Section 4.09 REMOVAL OF DIRECTORS BY MEMBERS

Any member may bring charges for cause against a Director and, by filing with the Secretary such charges in writing together with a petition signed by not less than ten (10%) percent of the total membership of the Cooperative, may request the removal of such Director and cause a special meeting of the members to be called to consider and act upon such request within forty-five (45) days after such petition is filed, or at the next annual meeting of the members if the same will be held within ninety (90) days after such petition is filed. The Director shall be informed in writing of the charges at least twenty (20) days prior to the meeting of the members at which the charges are to be considered, and shall have an opportunity at the meeting to be heard in person or by counsel; and the person or persons bringing the charges against the Director shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by nomination from the floor and vote of the members present at the meeting. A newly elected director shall be from or with respect to the same Director District as was the Director whose office he or she succeeds.

Section 4.10 VACANCIES

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the members, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining Directors. A Director thus elected shall serve out the unexpired term of the Director whose office was vacated and until the Director's successor is elected and qualified; PROVIDED, that such a Director shall be from or with respect to the same Director District as was the Director whose office was vacated.

A Director may resign at any time. To resign, a Director must sign and deliver a written notice of resignation to the Board, President, or Secretary. Except as a later date is otherwise provided in a written notice of resignation, a Director's resignation is effective when the Board, President, or Secretary receives the written notice of resignation. If a Director's resignation is effective at a later date, and if the successor Director does not take office until the effective date of the Director's resignation, then the pending Director vacancy may be filled before the effective date of the Director's resignation.

Section 4.11 COMPENSATION OF DIRECTORS

(1) Fee for Participation. For their attendance at meetings or other functions that may be approved by the Board of Directors, Directors shall on a per diem basis, receive such fee, which may include insurance benefits, as is fixed by resolution of the Board of Directors. Directors not participating in the major medical insurance will be compensated the sum of one thousand dollars (\$1000) per month, subject to adjustment through annual board of director review.

(2) Reimbursement of Expenses. For the performance of their duties, including conferences, training programs and other meetings, Directors shall also receive advancement or reimbursement of expenses incurred, in accordance with the Cooperative's established policies.

(3) Other Compensation. No Director shall receive compensation from the Cooperative 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 a vote of the members or the Board of Directors; 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. Nothing in this provision shall preclude a director from receiving compensation from the Cooperative's wholesale power supplier for serving as a director of the Cooperative's wholesale power supplier or otherwise participating in the business and affairs of the Cooperative's wholesale power supplier.

Section 4.12 RULES, REGULATIONS, RATE SCHEDULES, CONTRACTS, CONDUCT, AND RELIANCE

The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rates and charges terms and conditions of service contracts, security deposits and any other types of deposits, payments or charges, including contributions in-aid-of-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.

(1) Director Standard of Conduct. A Director is not deemed a trustee regarding the Cooperative, Capital Credits, or property held or administered by the Cooperative, including property potentially subject to restrictions imposed by the property's donor or transferor. A Director shall discharge the Director's duties, including duties as a Board Committee member:

- (a) in good faith;
- (b) in a manner the Director reasonably believes to be in the Cooperative's best interests;
- (c) when becoming informed in connection with the Director's decision-making function or devoting attention to the Director's oversight function, with the care that an individual in a like position would reasonably believe appropriate under similar circumstances; and
- (c) in a manner in which the Director discloses or causes to be disclosed to other Directors or Board Committee members information not known by them, but known by the Director to be material to discharging their decision-making or

oversight functions, except that disclosure is not required to the extent that the Director reasonably believes that disclosure would violate a duty imposed under law, a legally enforceable obligation of confidentiality, or a professional ethics rule.

(2) Director Reliance on Others. Unless a Director has knowledge making reliance unwarranted, then in discharging the Director's duties, including duties as a Board Committee member, the Director may rely: (1) on the performance by any of the following individuals listed in (a) or (c) to whom the Board has formally or informally delegated the authority or duty to perform one or more of the Board's delegable functions; and (2) upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by any of the following individuals:

- (a) one or more Cooperative Officers or employees whom the Director reasonably believes to be reliable and competent in the functions performed or the information, opinions, reports, or statements provided;
- (b) legal counsel, public accountants, or other individuals retained by the Cooperative regarding matters involving skills or expertise the Director reasonably believes are matters within the individual's professional or expert competence and as to which the individual merits confidence; and
- (c) a Board Committee of which the Director is not a member if the Director reasonably believes the Board Committee merits confidence.

Section 4.13 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 the most current audit report shall be submitted to the members at or prior to the next annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period.

Section 4.14 SUBSCRIPTION TO COOPERATIVE'S NEWSLETTER; SUBSCRIPTION TO STATEWIDE PUBLICATION

For the purpose of disseminating information devoted to the economical, effective and conservative use of electric energy, the Board of Directors shall be empowered, on behalf of and for circulation to the members periodically, to subscribe to the Cooperative's newsletter, "Texas Co-Op Power".

ARTICLE V

MEETINGS OF DIRECTORS

Section 5.01 REGULAR MEETINGS

A regular meeting of the Board of Directors shall be held, without notice, promptly after the adjournment of the annual meeting of the members, or as soon thereafter as may be convenient, 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 within one of the counties served by the Cooperative within the State of Texas as the Board may 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 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, by policy established by the Board, the President and Chairman of the Board may change the date, time or place of a regular monthly meeting for good cause and upon at least five (5) days notice thereof to all Directors.

Section 5.02 SPECIAL MEETINGS

Special meetings of the Board of Directors may be called by Board resolution, by the President and Chairman of the Board, 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 and Chairman of the Board, 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 served by the Cooperative in the State of Texas unless all Directors consent to its being held in some other place..

Section 5.03 NOTICE OF DIRECTORS' MEETINGS

Written notice of the date, time, place and purposes of any special meeting of the Board and, when the business to be transacted shall require it, 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 duty by the Secretary, by the person(s) calling it in the case of a special meeting or by any other Director or officer in the case of any 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 the Director's address as it appears on the records of the Cooperative. The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of the meeting unless the Director's 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 shall be required for the transaction of business. A Director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of an action upon that matter, be counted in determining the number of Directors present. If less than a quorum is 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.

Section 5.05 MAJORITY VOTE

Except as otherwise provided in these Bylaws, the affirmative vote of a majority of the Directors present shall be required for any action to be taken.

ARTICLE VI

OFFICERS; MISCELLANEOUS

Section 6.01 NUMBER AND TITLE

The officers of the Cooperative shall include a President and Chairman of the Board, Vice President and Vice Chairman of the Board, Secretary and Treasurer, and such other officers as may 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 officers identified in Section 6.01 shall be elected annually 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 officers shall not be held at such meeting, it shall be held as soon thereafter as may be convenient. 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 the successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of Directors by the members 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 title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

Section 6.03 REMOVAL

Any officer appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will 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 AND CHAIRMAN OF THE BOARD

The President and Chairman of the Board:

- (1) 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.
- (2) Shall sign, with the Secretary, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed and;
- (3) Shall in general, perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6.06 VICE PRESIDENT AND VICE CHAIRMAN OF THE BOARD

In the absence of the Chairman, or in the event of Chairman's inability or refusal to act, the Vice Chairman:

- (1) Shall perform the duties of the Chairman, and when so acting,
- (2) Shall have all the powers of and be subject to all the restrictions upon the Chairman and;
- (3) Shall perform such other duties as from time to time may be assigned to member by the Board of Directors.

Section 6.07 SECRETARY

The Secretary:

- (1) Shall keep or cause to be kept the minutes of meetings of the members and of the Board of Directors in books provided for that purpose.
- (2) Shall see that all notices are duly given in accordance with these Bylaws or as required by law.
- (3) Shall 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.

- (4) Shall 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.
- (5) Shall have general charge of the books of the Cooperative in which a record of the members is kept.
- (6) Shall 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;
- (7) Shall in general, perform all duties incident to the office of the Secretary and such other duties from time to time as may be assigned to the Secretary by the Board of Directors.

Section 6.08 TREASURER

The Treasurer:

- (1) Shall have charge and custody of, and be responsible for, all funds and securities of the Cooperative.
- (2) Shall 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 securities as shall be selected in accordance with the provisions of these Bylaws and;
- (3) Shall in general, perform all duties incident to the office of Treasurer and such other duties from time to time as may be assigned to the Treasurer by the Board of Directors.

Section 6.09 DELEGATION OF SECRETARY AND TREASURER RESPONSIBILITIES

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Section 6.07 and 6.08, the Board of Directors may 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 duties to one or more agents, other officers or employees of the Cooperative who are not Directors. To the extent that the Board delegates officer's duties, that officer as such shall be released from such duties, responsibilities and authorities.

Section 6.10 CHIEF EXECUTIVE OFFICER (CEO)

The Chief Executive Officer of the Corporation:

- (1) Shall be the General Manager and the chief executive officer of the Corporation.
- (2) Shall sign, with the Secretary, certificates of membership, the issuance of such shall have been authorized by the Board of Directors or the members. 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 Corporation, or shall be required by law to be otherwise signed or executed.

- (3) Shall in general, perform all duties incident to the office of President of the Corporation and such other duties as may be prescribed by the Board of Directors from time to time.
- (4) Have the power and authority to hire, assign, promote, discharge or discipline other employees of the Corporation.

Section 6.11 COMPENSATION

The compensation of any officer, agent or employee who is also a Director or close relative of a Director shall be determined as provided in Section 4.11 of these Bylaws, and the powers, duties and compensation of any other officers, agent and employees shall be fixed, or established pursuant to a plan, approved by the Board of Directors.

Section 6.12 REPORTS

The officers of the Cooperative or a designee 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 the year and showing the condition of the Cooperative at the close of such fiscal year.

Section 6.13 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:

- (1) Desire such service and;
- (2) Meet all reasonable requirements established by the Cooperative as a condition of such service.

Section 6.14 MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative may upon the authorization of the Board of Directors, purchase stock in or become a member of any corporation organized for the purpose of engaging in or furthering the cause of rural electrification, furnishing financing or capital for the purpose of engaging in or furthering the cause of rural electrification, or, with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities; and provided further, that the Cooperative may upon the authorization of the Board, purchase membership on behalf of the Cooperative in, or service from such service organizations deemed necessary by the Directors.

Section 6.15 CONFLICT OF INTEREST TRANSACTION

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

- (1) Indirect Interest. A Director has an indirect interest in a contract or transaction with the Cooperative if at least one party to the contract or transaction is another Entity: (1) in which the Director has a material or financial interest, or is a general partner; or (2) of which the Director is a director, officer, or trustee.
- (2) Approval of Conflict of Interest Transaction. Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and a Board Quorum or Member Quorum satisfied, if the material facts regarding the Conflict of Interest Transaction and the Director’s interest, are:
 - (a) disclosed or known to the Board or Board Committee, and a majority of more than one Director or Board Committee member with no interest in the Conflict of Interest Transaction votes in good faith to approve the Conflict of Interest Transaction; or
 - (b) disclosed or known to the Members, and a majority of Members not voting under the control of a Director or Entity interested in the Conflict of Interest Transaction votes in good faith to approve the Conflict of Interest Transaction.
- (3) Fair Conflict of Interest Transaction. A Conflict of Interest Transaction that is approved pursuant to this Bylaw, or that is fair to the Cooperative when entered or approved pursuant to this Bylaw, is not, solely by reason of being a Conflict of Interest Transaction: (1) void or voidable; or (2) the basis for imposing liability on a Director interested in the Conflict of Interest Transaction.

Section 6.16 INDEMNIFICATION DIRECTOR OR OFFICER

(1) Indemnification Director or Officer. The Cooperative shall indemnify: (1) an individual who is or was a Director or Officer; (2) an individual who, while a Director or Officer, is or was serving at the Cooperative’s request as a director, officer, partner, trustee, employee, or agent of another Entity; or (3) the estate or personal representative of such an individual (collectively, “Indemnification Director or Officer”) who was successful, on the merits or otherwise, in defending a threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative, and whether formal or informal (“Indemnification Proceeding”) to which the Indemnification Director or Officer was, is, or is threatened to be made a named defendant or respondent (“Indemnification Party”) because the Indemnification Director or Officer is or was a Director or Officer.

This indemnification is against reasonable expenses, including attorney fees (“Indemnification Expenses”) actually incurred by the Indemnification Director or Officer in connection with the Indemnification Proceeding.

(2) Indemnification Individual. The Cooperative may indemnify an individual who is or was a Cooperative Official (“Indemnification Individual”) and was made, because the Indemnification Individual is or was a Cooperative Official, an Indemnification Party to an Indemnification Proceeding other than an Indemnification Proceeding: (1) by or in the right of the Cooperative in which the Indemnification Individual was adjudged liable to the Cooperative; or (2) charging, and in which the Indemnification Individual was adjudged liable for receiving, improper personal benefit or financial benefit to which the Indemnification Individual was not entitled, whether or not involving action in the Indemnification Individual’s official capacity.

This indemnification is against reasonable Indemnification Expenses incurred in connection with an Indemnification Proceeding by or in the right of the Cooperative; or against the obligation to pay a judgment, settlement, penalty, fine, or reasonable expense, including attorney fees, actually incurred in connection with any other Indemnification Proceeding, if the Indemnification Individual:

- (a) acted in good faith;
- (b) reasonably believed: (A) for conduct as a Cooperative Official, that the Indemnification Individual’s conduct was in the Cooperative’s best interest; and (B) for all other conduct, that the Indemnification Individual’s conduct was not opposed to the Cooperative’s best interests; and
- (c) in the case of any criminal Indemnification Proceeding, had no reasonable cause to believe the Indemnification Individual’s conduct was unlawful (collectively, “Indemnification Standard of Conduct”)

To provide this indemnification, a majority vote of the Director Quorum, excluding Directors currently Indemnification Parties to the Indemnification Proceeding (“Indemnification Director Quorum”), must determine: (1) that the Indemnification Individual met the Indemnification Standard of Conduct; and (2) reasonable Indemnification Expenses.

(3) Advance for Expenses. Before the final disposition of an Indemnification Proceeding, the Cooperative may pay for, or reimburse, the reasonable Indemnification Expenses incurred by an Indemnification Director, Officer, or Individual who is an Indemnification Party to the Indemnification Proceeding (“Indemnification Advance”) if:

- (a) the Indemnification Director, Officer, or Individual furnishes the Cooperative a written: (A) affirmation of the Indemnification Director, Officer, or Individuals good faith belief that the Indemnification Director, Officer, or Individual has met the Indemnification Standard of Conduct; and (B) unlimited general obligation of the Indemnification Director, Officer, or Individual, which need not be

secured, may be accepted without reference to financial ability to repay, may be executed personally or on the Indemnification Director, Officer, or Individuals behalf, and obligates the Indemnification Director, Officer, or Individual to repay the Indemnification Advance if a majority of the Indemnification Director Quorum ultimately determines that the Indemnification Director, Officer, or Individual did not meet the Indemnification Standard of Conduct; and

- (b) a majority of the Indemnification Director Quorum determines that the facts then known to them would not preclude indemnification for the Indemnification Director, Officer, or Individual under this Bylaw.

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 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

NON-PROFIT OPERATION

Section 8.01 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 members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its members.

Section 8.02 PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY

(1) Members Furnish Capital Through Payment of Rates and Charges. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of electric energy in excess of operating costs, expenses properly chargeable against the furnishing of electric energy, and reserves, including reserves for new construction, depreciation and contingencies. All amounts in excess of operating costs, expenses and reserves, at the moment of receipt by the Cooperative, are received with the understanding that they are furnished by the members as capital.

(2) Members Credited for Capital Provided. The Cooperative shall pay by credits to a capital account for each member all such amounts in excess of operating costs, expenses and reserves. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to member's account; PROVIDED, that individual notices of such amounts furnished by each member shall not be required if the Cooperative notifies all members of the aggregate amount of such excess and provides a clear explanation of how each member may determine the specific amount of capital so credited to member.

(3) Nature of Member Furnished Capital. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital. The term "Capital Credits" means the amounts allocated to a Member and contributed by the Member to the Cooperative as capital.

(4) Net Revenues. All other amounts received by the Cooperative from its operations in excess of costs, expenses, and reserves shall, insofar as permitted by law be used to:

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

(5) Rotation of Patronage Capital. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that financial condition of the Cooperative will not be impaired thereby; the capital then credited to members' accounts may be retired in full or

in part. After January 15, 1992, 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. Consistent with this Bylaw, the retirement and payment of Capital Credits are in the sole discretion of the Board and are not affected by previous retirements and payments. The manner, method, and timing of retiring and paying Capital Credits may be determined only by the Board. If the Cooperative is a Patron, Member, or owner of an Entity from which the Cooperative uses a good or service in Providing a Cooperative Service and from which the Cooperative is allocated a capital credit or similar amount, then, as determined by the Board and consistent with this Bylaw, the Cooperative may separately identify and allocate to the Cooperative's Members this capital credit or similar amount allocated by the Entity. If the Cooperative separately identified and allocated Capital Credits representing capital credits or similar amounts allocated to the Cooperative by an Entity in which the Cooperative is or was a Patron, Member, or owner, then the Cooperative may retire and pay these Capital Credits only after the Entity retires and pays the capital credits or similar amounts to the Cooperative.

(6) Special Capital Credit Retirements. The Cooperative may specially retire and pay some or all Capital Credits allocated to an individual Member or former Member: (1) after the death of the individual; (2) after receiving a written request from the deceased individual's legal representative; and (3) according to the terms and conditions agreed upon by the Cooperative and the deceased individual's legal representative. The Cooperative may specially retire and pay some or all Capital Credits allocated to an Entity Member or former Entity Member: (1) during or after the Entity's dissolution, liquidation, or other cessation of existence; (2) after receiving a written request from the Entity or the Entity's legal representative; and (3) according to the terms and conditions agreed upon by the Cooperative and the Entity or the Entity's legal representative. The Cooperative may specially retire and pay some or all Capital Credits allocated to an Entity Member or former Entity Member: (1) during or after the Entity's reorganization, transfer, merger, or consolidation; (2) after receiving a written request from the Entity or the Entity's legal representative; and (3) according to terms and conditions agreed upon by the Cooperative and the Entity or the Entity's legal representative

(7) Assignment of Capital Account. Capital credited to the account of each member shall be assignable only on the books of the Cooperative:

- (a) Pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such member's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise and;
- (b) Pursuant to the written order of any bankruptcy court or referee in bankruptcy and shall be assignable only to the person, partnership, firm or corporation purchasing such capital credits for value from a bankrupt member's estate under the provisions of the Bankruptcy Act of the United States.

(8) Joint Memberships. Upon receiving written notice and sufficient proof of the termination, conversion, or alteration of a Joint Membership: (1) through the death of a Joint Member, the Cooperative shall assign and transfer to each surviving Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership; or (2) other than through the death of a Joint Member, and except as otherwise provided by a court or administrative body of competent jurisdiction, and except as otherwise provided by the Joint Members, the Cooperative shall assign and transfer to each Joint Member an equal portion of Capital Credits allocated, or to be allocated, to the Joint Membership.

(9) Discounted Capital Credit Payments. As agreed upon by the Cooperative and a Member or former Member, before the time the Cooperative anticipates normally retiring and paying Capital Credits allocated to the Member or former Member, the Cooperative may retire some or all of the Capital Credits and pay the net present value of the retired Capital Credits.

(10) Method of Paying Capital Credits. All patronage capital to be retired, as determined by the Board of Directors, shall be credited to the Members account or accounts unless the member requests in writing that the capital credit be refunded by issuance of a check setting out the amount of the patronage capital and the years being retired, and mailing same to the members at their last known address, or their legal representative, as reflected on the records of the Cooperative. If the Cooperative retires and pays Capital Credits, then the Cooperative must retire and pay Capital Credits in a Member's name as shown in the Cooperative's records, regardless of the Member's marital status.

(11) Deduction of Amounts Owing to the Cooperative. The Cooperative, before retiring any capital credited to any member's account, shall deduct any amount owing by such member to the Cooperative, together with interest thereon at the state legal rate in effect when such amount first became overdue, compounded annually. This provision shall apply to all refunds of capital credits.

(12) Unclaimed Capital Credits. As allowed by Law, the Cooperative may dispose of Capital Credits retired and paid to a Member or former Member, but not claimed by the Member or former Member within 3 years of retirement by payment to charitable organizations as determined by Board Policy.

(13) Capital Credit Agreement. Each Member and former Member agrees that:

- (a) Capital Credits are not securities under state or federal Law;
- (b) The Member's right to Capital Credits vests, accrues, becomes redeemable, and becomes payable only upon the Cooperative retiring the Capital Credits as provided in these Bylaws, and not upon the Cooperative allocating the Capital Credits; and

- (c) As required by Law, each Member will: (1) report to the appropriate Entity all allocated or retired Capital Credits; and (2) pay the appropriate Entity any tax or similar amount on allocated or retired Capital Credits.

(14) Contract. The members of the Cooperative, by dealing with the Cooperative acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each member and both the Cooperative and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions.

ARTICLE IX

WAIVER OF NOTICE

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

ARTICLE X

DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

Section 10.01 DISPOSITION AND PLEDGING OF PROPERTY

- (1) The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds (2/3rd) of all the members of the Cooperative, and unless the encumbrance shall have been contained in the notice of the meeting; PROVIDED, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbrancing of any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and whatever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative, and; PROVIDED FURTHER, that the Board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign Corporation doing business in this state pursuant to the Act under which this Cooperative is incorporated. "Substantial portion", as used in this section, means ten (10%) percent or more of the fair market value of the

Cooperative's total properties and assets.

- (2) Not in conflict with, or in lieu of, but rather as supplementary to the foregoing Subsection (1), the following procedures shall be followed in authorizing a sale, lease, lease-sale, exchange or other disposition of all or a substantial portion of the Cooperative's properties and assets.
- (3) Before allowing any plan or proposal therefore to be submitted to the members, the Board of Directors shall cause three (3) independent appraisers, expert in such matters, to be appointed to render their individual opinions as to the fair market value of the Cooperative's assets and properties, including its good will and going business value, and as to any other terms and conditions which, in their respective judgments should be considered. The Board of Directors after receiving such appraisals and other terms and conditions which are recommended, if any, shall then give every other electric cooperative, which has not submitted such a plan or proposal, an opportunity to submit competing plans or proposals. Such opportunity shall be in the form of a written notice to such electric cooperatives, which notice shall attach a copy of the initial plan or proposal being then considered and a copy of the reports of the three (3) appraisers. Such electric cooperatives shall be given not less than thirty (30) days within which to submit competing plans or proposals, and the actual minimum period within which plans or proposals are to be submitted shall be stated in the written notice given to them.
- (4) Any two hundred (200) or more members, by so petitioning the Board not less than fifteen (15) days before the date of the special or annual member meeting at which such plan or proposal will be considered, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all other members, at least seven (7) days prior to such member meeting, any opposing positions or alternative plans or proposals which the petitioners may have.

The provisions of this Subsection (2) shall not apply to a sale, lease, lease-sale, exchange or other disposition to one or more other electric cooperatives if the actual legal effect thereof is to merge or consolidate with such other one or more electric cooperatives.

Section 10.02 DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

Except if and to the extent in conflict with the Texas law providing for the dissolution of private corporations, upon the Cooperative's dissolution any assets remaining after all of the Cooperative's liabilities and obligations, including outstanding capital credits, have been satisfied or discharged or a plan therefore appropriately established, shall to the extent practicable as determined by the Board of Directors, be distributed without priority among all persons who are or who have been patrons of the Cooperative during the next ten (10) years preceding the date of the filing of the certificate, on the

basis that their respective patronage during such periods bears to the total receipts of the Cooperative during the ten (10) year period or such subsequent date for the limiting of such total period as may be determined by the Board of Directors; PROVIDED, that, before making such distribution, if any gain is realized upon dissolution from the sale of any appreciated asset, such gain 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 members during that period, insofar as is practicable as determined by the Board of Directors; AND PROVIDED FURTHER, however, that if in the judgment of the Board the amount of such surplus is too small to justify the expense of making any distribution whatever, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more non-profit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE XI

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 XII

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 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.

ARTICLE XIII

SEAL

The Corporate seal of the Cooperative shall be in a form prescribed by the Board and shall have inscribed thereon the name of the Cooperative and the words "corporate seal", and "Texas".

ARTICLE XIV

AMENDMENTS

These Bylaws may be altered, amended, or repealed by not less than the affirmative vote of two-thirds (2/3) of all the Board of Directors at any regular or special meeting. Notwithstanding any other provisions of these Bylaws, an affirmative vote of at least fifty-one (51%) percentum of the membership shall be required to alter, amend, or repeal Article X - Disposition of Property or this Article XIV - Amendments.