

**BYLAWS OF
HILCO ELECTRIC COOPERATIVE, INC.
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The aim of HILCO ELECTRIC COOPERATIVE, INC., (hereafter called the "cooperative") is to provide electric energy and other goods and services available to its members at the lowest cost consistent with sound economy and good management.

**ARTICLE I
MEMBERS**

Section 1. Membership.

- (a) A person, firm, corporation, association, partnership, electric cooperative, or body politic is eligible to become a member of an electric cooperative if The person has a dwelling, structure, apparatus, or point of delivery at which the person does not receive central station service from another source and that is located in an area in which the cooperative is authorized to provide electric energy, and the person uses or agrees to use electric energy or the facilities, supplies, equipment, or service furnished by the cooperative at the dwelling, structure, apparatus, or point of delivery.
- (b) An electric cooperative may become a member of another electric cooperative and may fully use the facilities and services of that cooperative.
- (c) Membership in an electric cooperative is not transferable.

Section 2. Qualifications and Obligation.

Any person may become a member in the cooperative by:

- (a) Making a written application, and, as a condition of membership and at no charge to the cooperative, granting, executing, and delivering to the cooperative:
 - (i) easements or rights-of-way over, on, and under lands owned, leased, or mortgaged by the member necessary to furnish, or continue to furnish, electric, cable, fiber optic, water, telephone, or any other cooperative services to the member or other members at the time the member joins the cooperative or at any time afterward;
 - (ii) easements needed to construct, operate, maintain and relocate cooperative facilities for the benefit of any members at the time the member joins the cooperative or at any time afterward; and
 - (iii) specific written easements as needed by the cooperative at any time for the benefits of any members.
- (b) Granting the cooperative permission to enter the member's property to maintain the cooperative's electric, cable, fiber optic, water, telephone, or any other cooperative facilities, equipment, or service lines to any

members that are located on or near the member's property at the time the member joins the cooperative or at any time afterward, and to determine, in the sole discretion of cooperative employees or agents, the amount of foliage (brush and trees) to be removed, including cutting foliage to the ground (clear cutting) in or adjacent to the easement;

- (c) Ratifying all existing cooperative easements, and agreeing to transfer and convey all of member's property strictly subject to any cooperative easements;
- (d) Agreeing to purchase electric energy furnished by the cooperative in the area in which the cooperative is authorized to provide electric energy; and
- (e) Agreeing to comply with, and be bound by, the articles of incorporation of the cooperative, its tariffs, and these bylaws and any amendments thereto and such rules and regulations adopted by the board of directors.

No one person, firm, corporation, association, partnership, electric cooperative, or body politic may own more than one (1) membership in the cooperative. A husband and wife may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this section, provided the husband and wife comply jointly with the provisions of Section 2, (a), (b), (c), (d), and (e).

Section 3. Membership Fee.

Each new member will be entitled to one service connection upon making a written application granting the Cooperative, without charge to the Cooperative, any easements necessary to install or maintain electric, cable, fiber optic, water, telephone, or any other cooperative service lines, facilities or equipment to any members at the time the member joins the cooperative or at any time afterward. All persons or entities receiving service on and since May 26, 1998, are members of the cooperative, and membership fees that were overpaid or underpaid will be reimbursed or not refunded, respectively, when services are permanently disconnected.

Section 4. Purchase of Electricity, Goods, and Services.

Each member shall, as soon as electric energy is available, purchase from the cooperative all electricity used on the premises specified in the application for membership, and shall pay the price for the electricity each month at rates fixed by the board of directors. The board of directors may limit the amount of electricity that the cooperative is required to furnish to any one member. Each member shall pay to the cooperative a minimum amount each month as fixed by the board of directors regardless of the amount of electricity consumed. Each member shall also pay when due all amounts that the member owes to the cooperative for electricity, goods, and services.

Amounts paid for electricity, goods, or services, in excess of the cost of service, are furnished by members as capital, and each member shall be credited with capital so furnished as provided in the bylaws.

Section 5. Members Not Liable for Debts of Electric Cooperative.

A member is not liable for a debt of an electric cooperative except for:

- (a) A debt contracted between the member and the cooperative; or
- (b) An amount not to exceed the unpaid amount of the membership fee, if the member joined the cooperative at a time when the member had to pay a membership fee.

Section 6. Expulsion of Members.

By the affirmative vote of two-thirds (2/3) of the directors, the board of directors of the cooperative may expel any member who has violated or refused to comply with the provisions of the articles of incorporation of the cooperative, its tariffs, including diversion of electric service or threat of or bodily harm to an employee or board member, or these bylaws or any rules or regulations adopted by the board of directors. The action of the members with respect to such reinstatement shall be final.

Section 7. Termination of Membership.

Any member may withdraw from membership of the cooperative upon payment in full of all debts of that member to the cooperative and compliance with any terms for withdrawal that the board of directors may prescribe. The cooperative shall repay to the member the amount of any membership fee paid by the member after deducting from the amount of the membership fee and credited capital patronage the amount of any debts or obligations owing from the member to the cooperative. If a membership is terminated or withdrawn, voluntarily or involuntarily, the former member's rights and interest in the assets of the cooperative shall not be forfeited.

Section 8. Transfer and Termination of Membership.

- (a) Membership in the cooperative shall not be transferable, except as provided in these bylaws. Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall terminate.
- (b) A member may transfer his or her membership jointly to that member and his or her spouse upon the request of such member and, by compliance by such husband and wife jointly with the provisions of Section 2, (a), (b), (c), (d), and (e) of this Article. Such transfer shall be made and recorded on the books of the cooperative.
- (c) Upon the death of either spouse when a husband and wife hold a membership, the membership may be held in the sole name of such survivor upon written notice to the cooperative; however, the estate of the deceased shall not be released from any membership debts or liabilities to the cooperative.

Section 9. Removal of Directors and Officers.

Any member may bring charges against an officer or director alleging a breach of a duty to the Cooperative, a negligent or fraudulent act or omission which significantly and adversely affects the Cooperative, or a criminal act or omission by filing them in writing with the secretary of the cooperative with a petition specifying the charge signed by 10%

of the total membership of the cooperative requesting a hearing and trial of the officer or director on the charges, or any amendments thereto made before the trial, at a regular or special membership meeting, as requested in the petition. The director or officer against whom such charges have been brought will have at least three days' notice of the charges before the meeting. The director or officer against whom such charges have been brought and the members filing the charges shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence and argument. The members at such meeting may fill any vacancy created by such removal with members meeting the qualifications for director.

ARTICLE II MEETINGS OF MEMBERS

Section 1. Annual Meeting.

The annual meeting of the members shall be held each year on a date that is not a legal holiday that is set by a resolution of the board of directors at least 170 days before the annual meeting date. An annual meeting shall be held at least once each calendar year. Failure to hold the annual meeting at the designated time shall not warrant a forfeiture or dissolution of the cooperative.

The annual meeting shall be held in any place selected by the board of directors in any county served by the cooperative. The date, time, and location of the annual meetings shall be included in the notice to the members of the annual meeting stating the purpose of the meeting, which may include electing directors, passing upon reports covering the previous fiscal year, and transacting such other business that comes before the meeting. If the election of the directors is not held at the annual meeting, the board of directors shall cause the election to be held at a special meeting of the members as soon thereafter as convenient.

Section 2. Special Meetings.

Special meetings of the members may be called by (1) the president, (2) the board of directors, (3) a majority of the directors, or (4) by the members by a petition signed by at least 10% of the members. The secretary shall give notice of the special meeting as provided in Article II, Section 3, of these bylaws. A special meeting shall be held in any place and any county served by the cooperative as specified in the notice of the special meeting.

Section 3. Notice of Members Meetings.

- (a) Written notice of each meeting of the members shall be delivered to each member of record, either in person or by mail, not earlier than the 30th day or later than the 10th day before the meeting. The notice must be delivered by or at the direction of the president, secretary, or the officers or other persons calling the meeting.
- (b) The notice must state the place, day, and hour of the meeting and, in case of a special meeting, the purpose for which the meeting is called. If amendments to the articles of incorporation are to be voted on at an annual

Meeting, the notice of the meeting to the members must state the general nature of each proposed amendment to be presented and voted on at the meeting.

- (c) A member may waive notice of meetings in writing.
- (d) A notice that is mailed is considered to be delivered when deposited in the United States mail in a sealed envelope or published in the *Texas Co-op Power* magazine, with postage prepaid, addressed to the member at the member's address as it appears on the records of the cooperative.
- (e) The failure of any member to receive notice of an annual meeting of the members shall not invalidate any action that may be taken by the members at any such meeting.

Section 4. Quorum.

- (a) A minimum of one hundred of the members present shall constitute a quorum for the transaction of business at a meeting of the members. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice. If voting electronically, by mail, or any other method is authorized by the bylaws of the Cooperative, members voting electronically, by mail, or any other authorized method will be counted as present.
- (b) Notwithstanding the provisions of Section 4 (a) of this Article II regarding the constitution of a quorum for the transaction of business at meetings of the members of the Cooperative, the Cooperative may not dissolve the Cooperative, consolidate or merge the Corporation with other corporations, or sell, transfer or dispose of all or substantially all of its property without the affirmative vote of at least 51% of all members of the Cooperative at a meeting of the members and unless notice of such sale or transfer or other disposition has been contained in the notice of the meeting and as allowed by Article VIII of these bylaws. Any amendment of this Section (b) shall require the approval of 51% of all of the members of the Cooperative. If voting electronically, by mail, or any other method is authorized by the bylaws of the Cooperative, members voting electronically, by mail, or any other authorized method will be counted as present.

Section 5. Voting by Members.

- (a) Each member present at a meeting of the members is entitled to one (1) vote on each matter submitted to a vote at the meeting. If a husband or wife holds a membership, they shall jointly be entitled to one **(1)** vote upon each matter submitted to a vote at a meeting of the members.
- (b) No proxy voting is allowed. Voting electronically, by mail, or any other authorized method is allowed in any election.

- (c) At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting except as otherwise provided by law, the articles of incorporation of the cooperative, or these bylaws.

Section 6. Order of Business.

The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

- (a) Roll call;
- (b) Reading the notice of the meeting and proof of the due publication or mailing thereof, or the waivers of notice of the meeting;
- (c) Approval of minutes of previous meeting of the members;
- (d) Presentation, consideration, and approval of reports of officers, directors and committees;
- (e) Election of directors;
- (f) Unfinished business;
- (g) New business;
- (h) Adjournment.

**ARTICLE III
DIRECTORS**

Section 1. General Powers.

The business and affairs of the cooperative shall be managed by a board of not less than five (5) directors which shall exercise all of the powers of the cooperative, except those powers which are conferred upon or reserved to the members by law, the articles of incorporation of the cooperative, or these bylaws.

Section 2. Qualifications and Tenure.

Directors are nominated only by the members of the district in which they reside. All members vote for nominees from all director districts. Members vote for directors for a term not to exceed three years, or as determined by the board of directors, by ballot, which may be cast by mail or in person or both, at the option of the board of directors, at the annual meeting of the membership. Directors serve until their successors are elected and qualified. A member is ineligible to become or remain a director, or to hold any position of trust in the cooperative, who is:

- (a) Not a *bona fide* resident in the area served by the cooperative and the district from which he or she is nominated, or who moves from the cooperative area or district;
- (b) A cooperative employee, or a cooperative affiliate employee or director, or has been a cooperative employee, or a cooperative affiliate or trust board employee or director, for three years before the election is held or position is filled;
- (c) In any way employed by or financially interested in a competing enterprise of the cooperative or a cooperative affiliate; or a business selling electric energy, goods for resale, or supplies to the cooperative or a

cooperative affiliate; or a business primarily engaged in selling electrical, plumbing, other appliances, fixtures or supplies to the members of the cooperative or a cooperative affiliate;

- (d) The incumbent of, or a candidate for, an elected public office in connection with which a salary is paid; or
- (e) Has not resided in the service area of the cooperative for at least six months before the election is held.
- (f) Has not become a fully credentialed director by completing all course work necessary to earn a National Rural Electric Cooperative (N.R.E.C.A.) credentialed cooperative director's certificate by the end of that director's first full three year term, in which event that director shall not be eligible for re-election.
 - (i) Definitions:
A "Cooperative affiliate" is defined as any entity owned, controlled, or managed by the cooperative.

The term "Credentialed Director" is defined as follows: A person becomes a credentialed director for the purpose of this policy on the first full day after all course work necessary to earn the N.R.E.C.A. Credentialed Cooperative Directors Certification is completed, not to include the final day of class work, after completion of all course work is verified at the next regular board meeting by the board of directors by comparing the completed courses with those courses listed as necessary to earn the N.R.E.C.A. Credentialed Cooperative Directors Certification as listed on the website. This status would apply to the first full day after all course work necessary to earn the N.R.E.C.A. Credentialed Cooperative Directors Certification is completed.

- (ii) Spouse Qualification:
When a membership is held by husband and wife, either one, but not both, may be elected a director, but neither spouse shall be eligible to become or remain a director, nor hold a position of trust in the cooperative unless both spouses meet the qualifications set in this section. Nothing contained in this section shall, or shall be construed to, affect the validity of any action taken at any meeting of the board of directors.
- (iii) Director Incapacity:
If a director becomes physically or mentally incapable of performing his or her duties as a director, the board of directors may declare the office of such a director to be vacant at a regular meeting, or special meeting called for the specific purpose of considering the capability of a director, upon an affirmative vote finding the director to be physically or mentally incapable of performing his duties by a majority of the total membership of the board of directors. The directors shall vote on this question if any director has missed three (3) consecutive regularly scheduled boards

of directors meetings, and after every three (3) meetings that are missed by that director thereafter.

- (iv) **Resignation or Removal:**
If a director has missed three consecutive, regularly scheduled board of directors meetings, the board of directors may declare the office of such a director to be vacant at a regular meeting, or special meeting called for that specific purpose, upon an affirmative vote by a majority of the total membership of the board of directors. The directors shall vote on this question if any director has missed three consecutive, regularly scheduled board of directors meetings, and after every three meetings that are missed by that director thereafter.

Any director who resigns, has not timely obtained their Credentialed Cooperative Director Certification from the National Rural Electric Cooperative, or is otherwise found unfit for service by the board of directors may not run for re-election for a period of ten (10) years from the date of their resignation or removal from the Board of Directors.

- (v) **Employment of Former Director:**
A director is not eligible for employment with the cooperative or a cooperative affiliate for three years after the last date that the director served as a director on the board of directors unless approved by resolution of the board of directors with the affected director abstaining.

Section 3. Director Election.

- A. **Applications.**
 - (1) The Cooperative will supply any member with a packet containing a director application form, a copy of the bylaws, district map, service territory map, statistical information card, and petition form. This information is available from the web site, Cooperative offices and Cooperative attorney's office.
 - (2) Not less than 93 days nor more than 107 days before the date of the annual meeting of the members, any member residing in the same district in which a director resides whose term will expire at the next members meeting (hereafter described as an "electing district") may submit an application to be a candidate for director for that electing district. The application must contain the applicant's physical residence address within the cooperative's service area for the required period of residency, telephone number, and member account number that can be verified by cooperative records, supported by a nominating petition composed of signatures of at least 25 members residing in the electing district.

B. Nominations.

- (1) The application must be supported by a nominating petition containing signatures of at least 25 members residing in the electing district. The nomination petition must contain the signatures of the members of the Cooperative, physical residential address within the electing district, telephone number, and member account number that can be verified by cooperative records.
- (2) The completed application and petition with at least 25 nominating signatures must be filed by 5 p.m. on the last date of filing (a) with the corporate attorney at the office of the attorney, or (b) only in the absence of the corporate attorney during the final 24 hours of the filing period, with the assistant general manager on active duty at the cooperative's main office, if the cooperative has such an assistant general manager, or (c) in the absence of the corporate attorney and assistant general manager on active duty, with the chief financial officer. Changes or additions to the application and petition will not be accepted after the last date and time of filing.

If the 107th day is a Saturday, Sunday, or legal holiday, applications and petitions will be accepted the next business day until 5 p.m. The applications and petitions will be verified for completeness, memberships and residency, and the attorney will notify the applicants that their names will be placed on the ballot. Incomplete or inaccurate applications or petitions will disqualify the applicant for nomination as a candidate for director, and that member's name will not be placed on the ballot.

C. Candidates.

The secretary shall post the list of candidates for director at the principal office of the cooperative at least 75 days before the members meeting. The candidates will draw for places on the ballot at the attorney's office at least 72 days before the members meeting. A sample ballot will be posted at all cooperative buildings at least 64 days before the members meeting.

D. Notice.

The secretary shall mail with the notice of the meeting (1) a statement of the districts with directors to be elected to all members, and (2) ballots listing the candidates to the members not less than 10 days before and including the day of the members meeting.

E. Election Committee.

- (1) Appointment of Committee: At least 10 days before the annual meeting, the Board of Directors shall appoint the Election Committee composed of members recommended by the Directors from each electing district to assure the membership of the integrity of the election. The Committee shall consist of an uneven number of three to five members who are not Cooperative

employees, agents, officers, directors, or candidates for director, or relatives, or persons with close personal relations of current Cooperative employees, agents, officers, directors or candidates for director and who are members from each electing district; this does not exclude appointing casual acquaintances of these named persons. If an even number of districts is having elections, one district will have an additional representative as determined by coin toss.

- (2) Purpose of Committee: The responsibility of the Committee is to recount all ballots in disputed elections. The Committee will have the advice of corporate counsel of the Cooperative, and the rules governing the election will be these bylaws, the cooperative's articles of incorporation, and the Texas Election Code to the extent possible.
- (3) Protest: Requests for a recount must be filed by the close of the annual members meeting. The attorney will notify the elections committee to convene within two days of the close of the annual meeting to recount ballots. Any other protest to the election must be filed with the corporate attorney within three business days following the adjournment of the meeting in which the voting is conducted. If the committee is convened, the committee members will be reimbursed for their mileage at the rate established by the Internal Revenue Service for that year. The Committee shall elect its own chairman and secretary.

To hear protests after ballots are counted or for purposes other than recounting ballots, the Committee shall convene, upon notice from its chairman, not less than seven days after the protest is filed. The Elections Committee may recount ballots followed by a hearing on any election protest in one meeting, or it may adjourn after the recount and reconvene for the election protest.

The Committee chair shall determine in advance (i) reasonable time limits allowed for the protestors, not to exceed one-half hour, and any other party to present any oral evidence, and (ii) the number of persons allowed to speak for each side, not to exceed three persons. The Committee will hear the evidence presented by the protestors, who may be heard in person or in writing, and any opposing evidence. Each side may have five minutes to give a summary of that side's position.

The Committee, by a majority vote of those present and voting, shall, not later than three days after such hearing, either affirm the election or set it aside. The Committee may not act on any matter unless a majority of the Committee is present. The Committee's decision on all matters covered by this Section shall be final.

F. No Nominations from the Floor; Directors Elected at Large.

No nominations for directors shall be made from the floor at the meeting of the members. All directors shall be elected at large.

G. Member Moving Residency.

Any member who moves from one district to another district will be eligible for Nomination for director from that member's new residential district upon change of address with the cooperative records.

H. Conduct of Election.

The election will be governed according to these bylaws, the Cooperative's articles of incorporation, and, on subjects not mentioned in the bylaws or the articles, the Texas Election Code, to the extent possible, with the corporate attorney acting as the elections administrator.

I. Mail In Ballots.

Mail in ballots will be counted if received in the cooperative's election post office box the day before the annual meeting. On the day of the annual meeting, votes must be cast in person at the annual meeting on official ballots by members whose residency can be verified at the meeting by cooperative membership rolls.

J. Vote Counting.

In an uncontested election, an employee of the cooperative may count the ballots. In a contested election, an accountant who is not affiliated with the cooperative shall be employed to count the ballots, which are mailed to and retrieved by the accountant in a post office mail box.

K. Tie Votes and Runoffs.

The candidate nominated from each electing district receiving the plurality of votes of the members shall be declared elected as director of that district. The accountant shall report the vote totals to the elections administrator at the annual meeting. In a tie vote, any candidate in the tie vote may demand a recount, and the accountant will deliver the ballots to the elections administrator, who will convene the Election Committee. The Election Committee shall recount the ballots for that district election only and report the count to the elections administrator and the membership on the cooperative website.

L. Runoff.

Within seven days of the election, the cooperative will mail new ballots with the names of the candidates from the electing district that had the tied votes to all members for return mail voting only. The runoff election will be determined by greater number of votes received in the election post office box by 5 p.m. on the 15th calendar day after mailing, as counted by the accountant and reported to the cooperative's Election Committee and election administrator.

Section 4. Vacancies.

Subject to Article I, Section 9, or Article III, Section 2, (iii) and (iv) of these bylaws, Removal of Directors and Officers, vacancies occurring in a district director's position shall be filled by a member qualified to be a director from the vacated position by a majority vote of the remaining directors. A person selected to fill a vacancy shall serve until the next regular election of a directors from that district.

Section 5. Compensation.

Directors shall, as determined by resolution of the board of directors, receive a fixed fee, (a) for attending meetings of the board of directors; and (b) with prior approval of the board of directors, for the performance of the other cooperative business; and (c) a monthly retainer. The fee fixed for attending board meetings need not be the same as the fee or fees fixed for performing other cooperative business, such as attendance at meetings, conferences, seminars, training programs or meetings in performing committee assignments. Directors shall receive reimbursement of any travel and other expenses actually and necessarily incurred in attending such meetings and performing such business, which may include a meal *per diem*. No director shall receive compensation for serving the cooperative in any other capacity, nor shall any person with a relationship to a director that would cause a conflict of interest, receive compensation for serving the cooperative, unless the payment and amount of such compensation is specifically authorized by a vote of the members or by the board of directors upon their certification of such payment as an emergency measure.

Section 6. Rules and Regulations.

The board of directors shall have power to adopt such rules and regulations, consistent with law, the articles of incorporation in the cooperative or these bylaws, as it deems advisable for the management, administration and regulation of the business and affairs of the cooperative.

Section 7. Accounting System and Reports.

The board of directors shall require management to establish and maintain a complete accounting system, which shall conform to such accounting system required by any cooperative lender and to applicable laws and rules and regulations of any regulatory body. The board of directors shall require a full and complete audit of the accounts, books and financial condition of the cooperative at the end of each fiscal year.

**ARTICLE IV
MEETINGS OF DIRECTORS**

Section 1. Regular Meetings.

A regular meeting of the board of directors shall be held monthly, as the board of directors may provide by resolution. These regular monthly meetings may be held without notice other than the board's resolution fixing the time and place of the meeting. All Directors are entitled to receive notice of a President's change in a Regular Board Meeting date, time, or location at least two days before the changed Regular Board Meeting.

At any time, a Director may waive notice of a Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative's records. A Director's attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting, unless the Director:

- (1) upon arriving at the Board Meeting or before the vote on a particular matter, objects to lack of, or defective, notice of the Board Meeting or a matter being considered at the Board Meeting; and
- (2) does not vote for, or assent to, an objected matter.

Section 2. Special Meetings.

The Board, the President, or at least three Directors may call a special meeting of the Board ("Special Board Meeting") by providing each Director notice indicating the date, time, and location and purpose of the Special Board Meeting in the following manner: (i) on twenty-four (24) hours' notice given to each Director personally; (ii) by first class mail deposited at least five (5) days prior to the meeting; or (iii) on twenty-four (24) hours' notice by any other reasonable means (including, without limitation, facsimile, e-mail or other electronic means). Notice of any special meeting may be waived by attendance at a meeting, except when a Director attends a meeting and objects to the transaction of business, or by a waiver of notice signed before, during, or after the meeting.

Section 3. Notice.

At any time, a Director may waive notice of a Board Meeting by delivering to the Cooperative a written waiver of notice signed by the Director and later filed with the Board Meeting minutes or the Cooperative's records. A Director's attendance at, or participation in, a Board Meeting waives notice of the Board Meeting and any matter considered at the Board Meeting, unless the Director:

- (1) upon arriving at the Board Meeting or before the vote on a particular matter, objects to lack of, or defective, notice of the Board Meeting or a matter being considered at the Board Meeting; and
- (2) does not vote for, or assent to, an objected matter.

Section 4. Director Quorum and Voting.

A quorum of Directors is a majority of the Directors in office immediately before a Board Meeting begins ("Director Quorum"). If a Director Quorum is present when a matter is voted or acted upon, then the affirmative vote of a majority of Directors voting is the act of the Board. A Director may not vote by proxy. **An** agreement signed by Directors providing the manner in which a Director must vote is not valid.

Section 5. Manner of Acting.

A majority of the directors present at a meeting at which a quorum is present may exercise the board's authority.

Section 6. Conduct of Board Meetings.

Except as otherwise provided in these Bylaws, a Regular Board Meeting or Special Board Meeting ("Board Meeting") may be:

- (1) held in, or out of, a county in which the Cooperative provides a Cooperative Service; and
- (2) conducted with absent Directors participating, and deemed present in person, through a means of communication by which all Directors participating in the Board Meeting may reasonably and verifiably identify themselves, and approximately simultaneously and approximately instantaneously communicate with each other during the Board Meeting.

Section 7. Conflict of Interest Transaction.

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

- (a) Indirect Interest.
A Director has an indirect interest in a transaction with the Cooperative if at least one party to the transaction is another Entity: (1) in which the Director has a material interest or is a general partner; or (2) of which the Director is a director, officer, or trustee.
- (b) Approval of Conflict of Interest Transaction.
Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and a Board Quorum or Member Quorum satisfied, if the Conflict of Interest Transaction's material facts, and the Director's interest, are:
 - (1) 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 to approve the Conflict of Interest Transaction; or
 - (2) 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 to approve the Conflict of Interest Transaction.
- (c) Fair Conflict of Interest Transaction.
A Conflict of Interest Transaction that is fair when entered is not: (1) voidable; or (2) the basis for imposing liability on a Director interested in the Conflict of Interest Transaction.

ARTICLE V OFFICERS

Section 1. Number.

The officers of the cooperative shall be a president, vice president, secretary, treasurer, and the board of directors may decide to have other officers. The same person may hold the offices of secretary and treasurer.

Section 2. Election and Term of Office.

The board shall elect annually from the board's membership a president, vice president, secretary, treasurer, and such other officers by majority vote by written ballot, or by oral vote at the first meeting of the board of directors held after each annual meeting of the members. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until the reorganization meeting of the board of directors following the next annual meeting of the members or until the successor in office that has been elected and qualified, subject to Article I, Section 9, Removal of Directors and Officers, and Article V, Section 3, of these bylaws.

The board may elect an executive committee from the board's membership and delegate to the executive committee the management of the current and ordinary business of the cooperative and other duties as prescribed by the bylaws. The designation of an executive committee and delegation of authority to the committee does not relieve the board or any director of a responsibility imposed on the board or director by these bylaws.

Section 3. Removal.

The board of directors may remove any officer, agent, or employee elected or appointed by the board if the board determines that the removal will serve the best interest of the cooperative.

Section 4. Vacancies.

Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the board of directors for the unexpired portion of the term.

Section 5. President.

The president:

- (a) Shall be the principal executive officer of the cooperative and shall preside at all meetings of the board of directors;
- (b) May sign deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the board of directors to be executed, except when the execution thereof has been expressly delegated by the board of directors or by these bylaws to some other officer or agent of the cooperative, or shall be required by law to be otherwise signed or executed; and

- (c) In general, shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors.

Section 6. Vice President.

In the absence of the president, or if the president is unable or refuses to act, the vice president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president and shall perform such other duties assigned by the board of directors.

Section 7. Secretary.

The secretary shall:

- (a) Keep the minutes of the members and the board of directors in one or more books provided for that purpose;
- (b) See that all notices are duly given in accordance with these bylaws or as required by law;
- (c) Be the custodian of the corporate records and of the seal of the cooperative;
- (d) Keep a register of the post office address of each member that is provided by the member;
- (e) Have general charge of the books of the cooperative in which a record of each member is kept;
- (f) Keep on file a complete copy of the bylaws of the cooperative containing all amendments thereto, which copy shall be available for inspection by any member, and at the expense of the cooperative, provide a copy of the bylaws with all amendments to each member upon receiving new service or at a member's request; and
- (g) In general, perform all duties incident to the office of secretary and such other duties assigned by the board of directors.

Section 8. Treasurer.

The treasurer shall:

- (a) Have charge and custody of, and be responsible for, all funds and securities of the cooperative;
- (b) Receive and give receipts for money due to the cooperative from any source, and deposit all such money in the name of the cooperative in the bank selected in accordance with these bylaws; and
- (c) In general, perform all the duties assigned by the board of directors.

Section 9. Manager.

The board of directors may employ and discharge at will a general manager/chief executive officer who may be, but who is not required to be, a member of the cooperative. The general manager/chief executive officer shall perform such duties as the board of directors may require and shall have such authority as the board of directors may vest in the general manager/chief executive officer.

Section 10. Bonds of Officers.

The board of directors shall require the treasurer or any other officer of the cooperative who has custody of its funds or property to post a bond in the sum and with such surety as the board of directors shall determine. The board of directors may also require any other officer, agent, or employee of the cooperative to post bond in such amount and with such surety as it shall determine.

Section 11. Compensation.

The board of directors shall determine the compensation of the general manager/chief executive officer, and the general manager/chief executive officer shall determine the powers, duties, and compensation of the other employees.

Section 12. Reports.

The officers of the cooperative shall submit at each annual meeting of the member's reports covering the business of the cooperative for the previous fiscal year and showing the condition of the cooperative at the close of such fiscal year.

Section 13. Indemnification.

The cooperative may indemnify and provide indemnity insurance to directors, officers, employees or agents or the cooperative in the same manner and to the same extent as a non-profit corporation under V.A.T.S., Article 1396-2.22A, Texas Non-Profit Corporation Act.

**ARTICLE VI
CONTRACTS, CHECKS AND DEPOSITS**

Section 1. Contracts.

Except as provided in these bylaws, the board of directors may authorize any officers or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the cooperative, and such authority may be general or confined to a specific transaction.

Section 2. Checks, Drafts or Orders for Payment of Money.

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 by such officers, agents, or employees of the cooperative and such manner as determined by resolution of the board of directors.

Section 3. Deposits.

All funds of the cooperative shall be deposited to the credit of the cooperative in the banks that the board of directors selects.

**ARTICLE VII
NON-PROFIT OPERATION**

Section 1. Interest or Dividends on Capital Prohibited.

No interest or dividends shall be paid or payable by the cooperative on any capital furnished by its patrons. The cooperative shall at all times be operated on a cooperative, non-profit basis for the mutual benefit of its patrons.

- (a) An electric cooperative shall operate without profit to its members.
- (b) The rates, fees, rents, and other charges for electric energy and other facilities, supplies, equipment, or services furnished by the cooperative must be sufficient at all times to:
 - (i) pay all operating and maintenance expenses necessary or desirable for the prudent conduct of its business; and
 - (ii) pay the principal of and interest on the obligations issued or assumed by the cooperative in performing the purpose for which the cooperative was organized.
- (c) The cooperative shall devote its revenues to the payment of operating and maintenance expenses and the principal and interest on outstanding obligations.
- (d) The cooperative shall periodically return revenues not required for the purposes prescribed by Subsection (c) to the members in proportion to the amount of business done with each member during the applicable period. The cooperative may return revenues:
 - (i) in cash, by abatement of current charges for electric energy, or in another manner determined by the board; or
 - (ii) through a general rate reduction to members.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy.

In the furnishing of electric energy, the cooperative's operation shall be so conducted that all patrons, through their patronage, furnish capital for the cooperative. To induce patronage and to assure that the cooperative will operate on a non-profit basis, the cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the cooperative are received with the understanding that they are furnished by the patrons as capital. The cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the cooperative shall be set up and kept in such a manner that, at the end of each fiscal year, the amount of capital furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the cooperative shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they have been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the cooperative corresponding amounts for capital.

The board of directors shall have the power to adopt rules providing for the separate retirement of the capital credits paid by its power suppliers which is that portion ("power supply portion") of capital credited to the accounts of patrons which corresponds to

capital credited to the account of the cooperative by an organization furnishing electric service to the cooperative. Such rules shall (a) establish a method for determining the power supply portion of capital credited to each patron for each fiscal year, (b) provide for separate identification on the cooperative's books of the power supply portion of capital credited to the cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to the power supply portion of capital credited to their account, and (d) Preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year. Capital credited to the account of each patron shall be assignable only on the books of the cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the cooperative unless the board of directors, acting under policies of general application, shall determine otherwise.

The patrons of the cooperative, by dealing with the cooperative, acknowledge that the terms and provisions of the articles of incorporation of the cooperative, its tariffs, and these bylaws shall constitute and be a contract between the cooperative and each patron, and both the cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

Payment for withdrawal or termination of any membership fees, consumer deposits, and retirement of capital credits as provided in these bylaws shall be made by issuing checks payable to the name on the account and mailing them to such members and former members at their last known address, or by issuing a credit to the member's active account through the cooperative's billing system. The checks, when so issued and mailed, or the credit made to the member's account shall represent indebtedness by the cooperative to the payee of such check.

In the event of dissolution or liquidation of the cooperative, after all outstanding indebtedness of the cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, any time prior to dissolution or liquidation, the board of directors shall determine that the financial condition of the cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The board of directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

ARTICLE VIII DISPOSITION OF PROPERTY

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

- (a) Services of all kinds, including, but not limited to, providing electric energy and managerial services;

- (b) Property which is not necessary or useful in operating and maintaining the cooperative's system and facilities; provided, that all sales of such property shall not, in any one year, exceed all or substantially all of the value of the property of the cooperative; and,
- (c) Personal property acquired for resale, unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members by the affirmative vote of at least 51% of all of the members of the cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance has been contained in the notice of the meeting.
- (d) The Board of Directors, without authorization by the members, has the authority to borrow money and to authorize making and the issuance of the bonds, notes, or other evidences of indebtedness and to secure the payment thereof by executing and delivering mortgages, deeds, deeds of trust, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, upon such terms and conditions as the Board of Directors shall determine.

Article IX - Miscellaneous

Section 1. Electronic Documents.

If a Member or Director owns, controls, or has reasonable access to the applicable or necessary hardware and software, then, regardless of a contrary Bylaw, as determined by the Board, and as allowed by Law:

- (1) the Member or Director consents and agrees to: (A) use, accept, send, and receive an electronic signature, contract, record, notice, vote, communication, and other document regarding a transaction, business, or activity with, for, or involving the Cooperative ("Electronic Document"); (B) Electronically conduct an action, transaction, business, or activity with, for, or involving the Cooperative; and (C) electronically give or confirm this consent and agreement; and
- (2) an Electronic Document sent to or received from the Member or Director satisfies a requirement imposed by the law, tariffs, bylaws or policies that the underlying signature, contract, record, notice, vote, communication, or other document be in writing;
- (3) electronically sending an Electronic Document to, or receiving an Electronic Document from, the Member or Director satisfies a requirement imposed by the law, tariffs, bylaws or policies that the underlying signature, contract, record, notice, vote, communication, or other document be sent or received personally or by mail; and
- (4) the Member or Director electronically taking an action provided in these Bylaws satisfies a requirement imposed by the law, tariffs, bylaws or policies regarding the form or manner of taking the action.

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

Section 2. Bylaw Amendment.

Except as otherwise provided in these Bylaws, these Bylaws may be adopted, amended, or repealed ("Amended") by the vote of a majority of Directors. Except as otherwise provided in a Bylaw Amendment, the Amendment is effective the day after the vote approving the Amendment. The Cooperative must notify Members of Amended Bylaws by posting the amended bylaws on the Cooperative website.

Section 3. Rules of Order.

Except as otherwise provided by the Board at any time, and except as otherwise provided under law, tariffs, bylaws or policies, the latest edition of Robert's Rules of Order governs all: (1) Member Meetings; (2) Board Meetings; (3) Member Committee meetings; and (4) Board Committee meetings.

Section 4. Fiscal Year.

The Board may determine and modify the Cooperative's fiscal year. Except as otherwise provided by the Board, the Cooperative's fiscal year is the calendar year.

Section 5. Notice.

In these Bylaws:

(a) Notice Type.

Except as otherwise provided in these Bylaws, notice may be: (1) oral or written; and (2) communicated: (A) in person; (B) by telephone, telegraph, teletype, facsimile, electronic communication, or other form of wire or wireless communication; (C) by mail or private carrier; or (D) if the above-listed forms of communicating notice are impractical, then by newspaper of general circulation in the area where published, or radio, television, or other form of public broadcast communication.

If addressed or delivered to an address shown in the Membership List, then a written notice or report delivered as part of a newsletter, magazine, or other publication regularly sent to Members constitutes a written notice or report to all Members: (1) residing at the address; or (2) having the same address shown in the Membership List.

(b) Notice Effective Date. If communicated in a comprehensible manner, then except as otherwise provided in these Bylaws:

(1) oral notice is effective when communicated;

- (2) written notice is effective upon the earliest of: (A) when received; (B) with the postmark evidencing deposit in the United States Mail, if correctly addressed and mailed with first class postage affixed, then five days after deposit **in** the United States Mail, or if correctly addressed and mailed with other than first class, registered, or certified postage affixed, then thirty days after deposit in the United States Mail; or (C) if sent by registered or certified mail, return receipt requested, and if the return receipt is signed by, or on behalf of, the addressee, then on the date indicated on the return receipt. And;
- (3) electronic notice is effective on the date when read.

Written notice is correctly addressed to a Member if addressed to the Member's address shown in the Membership List.

Section 6. Governing Law.

These Bylaws must be governed by, and interpreted under, the laws of the State of Texas.

Section 7. Titles and Headings.

Titles and headings of Bylaw articles, sections, and subsections are for convenience and reference and do not affect the interpretation of a Bylaw article, section, or subsection.

Section 8. Partial Invalidity.

When reasonably possible, every Bylaw article, section, subsection, paragraph, sentence, clause, or provision (collectively, "Bylaw Provision") must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation of a Bylaw Provision by an Entity possessing proper jurisdiction and authority, which invalidation does not alter the fundamental rights, duties, and relationship between the Cooperative and Members, does not invalidate the remaining Bylaw Provisions.

Section 9. Cumulative Remedies.

The rights and remedies provided in these Bylaws are cumulative. The Cooperative or a Member asserting a right or remedy provided in these Bylaws does not preclude the Cooperative or Member from asserting other rights or remedies provided in these Bylaws.

Section 10. Entire Agreement.

Between the Cooperative and a Member, the written membership application signed by a member and the following documents, as existing or amended: (a) federal and state laws and regulations, (b) the Articles of Incorporation, (c) the Cooperative's tariffs, (d) these Bylaws, and (e) Board or Administrative Policies (1) constitute the entire agreement between the Cooperative and a member; and (2) supersede and replace a prior or contemporaneous oral or written communication or representation.

Section 11. Successors and Assigns.

Except as otherwise provided in these Bylaws: (1) the duties, obligations, and liabilities imposed upon, and the rights granted to, the Cooperative by these Bylaws are binding upon, and inure to the benefit of, the Cooperative's successors and assigns; and (2) the duties, obligations, and liabilities imposed upon a Member by these Bylaws are binding upon the Member's successors and assigns. The binding nature of the duties, obligations, and liabilities imposed by these Bylaws upon the successors and assigns of the Cooperative or a Member does not relieve the Cooperative or Member of the duties, obligations, and liabilities imposed by these Bylaws.

Section 12. Waiver.

The failure of the Cooperative to assert a right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

Section 13. Lack of Notice.

The failure of a Member or Director to receive notice of a Meeting, action, or vote does not affect, or invalidate, an action or vote taken by the Members or Board.

**ARTICLE X
MEMBERSHIP IN OTHER ORGANIZATIONS**

The cooperative may become a member of any organization whose purpose relates to the conduct of its businesses by the affirmative vote of a majority of the members of the board of directors at any regular or special meeting. The cooperative shall not become a member of any other type of organization without an affirmative vote of the members at a meeting called as provided in these bylaws, and a notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business.