

Bylaws of Tri-County Electric Cooperative, Inc.

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Bylaws of Tri-County Electric Cooperative, Inc.

Article 1 — Membership

Section 1.1 Member Qualifications.

Are as followed:

- A. An eligible individual or entity may become and remain a member of the cooperative only if:
 1. the individual or entity is a person or entity with the capacity to enter legally binding contracts; and
 2. the person or entity consumes, receives, purchases, or otherwise uses cooperative products or services; or
 3. requests or agrees to use within a reasonable time electric energy generated, transmitted, distributed, sold, supplied, furnished, or otherwise provided by the cooperative.
- B. An entity includes a domestic or foreign: cooperative; business or non-profit corporation; sole proprietorship; unincorporated association; limited liability company; partnership; trust; estate; persons having a joint or common economic interest; and local, regional, state, federal, or national government, including an agency or division of a government.
- C. Not eligible for membership is a person or entity who applies for membership at the same location which is or was:
 1. occupied by a second person, other than a landlord, tenant, or similarly related person, who:
 - a. is a member, other than a joint member; or
 - b. owes the cooperative for a service provided to or for the location, if the first person occupied the location when the cooperative provided the service; or
 - c. previously occupied by an entity owned or controlled by a person, which entity owes the cooperative for a service provided to or for the location.
- D. A person, either individually or through an entity not considered legally separate from the person, may not hold more than one membership in the cooperative. Persons occupying the same location to which the cooperative already provides a service may not hold more than one membership in the cooperative.

Section 1.2 Membership Procedure.

A qualified person or entity seeking to become or remain a member must:

- A. Complete, sign and agree to be bound by the membership application promulgated by the cooperative in which the applicant agrees to the following:
 1. comply with governing documents:
 - a. the 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, the cooperative's operation, the cooperative's members and patrons, the provision and use of services, cooperative equipment, and member equipment connected to cooperative equipment; (2) the Articles of Incorporation; (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.
 2. ensure member equipment connected to cooperative equipment, and any act or omission involving member equipment connected to cooperative equipment, complies with the governing documents:
 - a. cooperative equipment is a product, equipment, structure, facility, or other good owned, controlled, operated, or furnished by the cooperative.
 - b. member equipment is a product, equipment, structure, facility, or other good:
 - (1) owned, controlled, operated, or furnished by an applicant or member; and
 - (2) located on property owned, controlled, operated, or furnished by an applicant or member.
 3. pay a membership fee:
 - a. the membership fee (together with any service security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid of construction or any combination thereof, if required by the cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the cooperative (together with a service security deposit, a facilities extension deposit or a contribution in the aid of construction or any combination thereof, if required by the cooperative), shall be paid by the member for each additional service connection requested by a prospective member.
 4. pay at prices, rates, or amounts determined by the Board, and pursuant to the terms, condition, time, and manner specified by the cooperative, pay the cooperative for:
 - a. services provided to the applicant for a location occupied by the applicant.
 - b. dues, assessments, fees, deposits, contributions, and other amounts required by the governing documents; and
 - c. interest, late payment fees, and collection costs, related to amounts owed, but not timely paid, to the cooperative.

5. give the cooperative all relevant information requested by the cooperative, reasonably related to the services to be provided.
6. grant or convey to the cooperative property rights as required by the cooperative for a cooperative purpose; and
 - a. each member shall, upon being requested to do so by the cooperative, execute and deliver to the cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the cooperative shall require for the furnishing of electric service to him or to other members or for the construction, operation, maintenance or relocation of the cooperative's electric facilities.
7. complete any additional or supplemental document, contract, or action required by the Board for the service which the applicant is using or requesting or agreeing to use.

Section 1.3 Membership.

- A. Upon compliance with Section 1.1 and Section 1.2 an otherwise qualified person becomes a member of the cooperative provided however, if the Board determines a qualified person is unable or refuses to complete the membership procedure then the Board may refuse, suspend, or terminate a person's membership.
- B. For other good cause as determined by the Board, the Board may refuse a qualified person a membership in the cooperative.
- C. Cooperative may issue membership certificates to members in a manner, method, and form determined by the Board.
- D. A membership in the cooperative and any right or privilege associated with such cooperative membership may not be sold, purchased, assigned, disposed of, acquired, or otherwise transferred, except on the books and records of the cooperative and only after express approval by the Board of Directors.
- E. No member may hold more than one membership in the cooperative unless they hold a membership in a business as a separate service, and no membership in the cooperative shall be transferable, except as provided herein.

Section 1.4 Membership Agreement.

- A. Member shall:
 1. comply with all governing documents.
 2. provide and maintain a current mailing address and telephone number with the cooperative; and

3. pay for the cooperative's damages, costs, or expenses, including attorney fees and legal expenses, caused by, or associated with the members' failure to comply with the governing documents.
- B. 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 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.
 - C. The Articles and these bylaws are contracts between the cooperative and a member. By becoming a member, the member acknowledges that:
 1. every member is a vital and integral part of the cooperative.
 2. the cooperative's successful operation depends upon each member complying with the governing documents; and
 3. members are united in an interdependent relationship.
 - D. In general, a member is not liable to third parties for the cooperative's acts, debts, liabilities, or obligations solely because of membership in the cooperative. A member may become liable to the cooperative as provided in the governing documents or as otherwise agreed by the cooperative and the member.
 - E. If an individual member, other than a joint member, dies without the cooperative's knowledge, and if a close relative of the deceased member uses a service at the location previously occupied by the deceased member, then, until the cooperative learns of the members death or terminates the deceased members membership, the deceased members membership may be transferred to the closest relative.

Section 1.5 Joint Membership.

A. Joint Membership.

The term "member" as used in these bylaws shall be deemed to include legal spouses holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally to each. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a membership shall be as follows:

1. the presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting.
2. the vote of either separately or both jointly shall constitute one joint vote; provided, however, the legal spouses may, as an officer or a corporation, also vote the

membership of the corporation and/or if dually authorized by a resolution, also vote the membership of a church, community center or body politic;

3. a waiver of notice signed by either or both shall constitute a joint waiver.
4. notice of either shall constitute notice to both.
5. expulsion of either shall terminate the membership.
6. withdrawal of either shall terminate the membership.
7. 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.
8. if more than one joint member votes on a matter; signs a petition, consent, waiver, or other documents; or otherwise acts, then the first vote, signature, or action received by the cooperative binds the joint membership and constitutes one vote, signature, or action;
9. except upon the cessation of the legal relationship, the suspension or termination of a joint member constitutes the suspension or termination of all joint members; and
10. either, but not both, may be elected or appointed as an officer or board member if both meet the qualifications of such office.

B. Sole Survivor.

Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The estate of the deceased shall not be released from any debts due to the cooperative.

C. Terminating a Joint Membership.

Joint members shall notify the cooperative in writing of a cessation of legal relationship. Upon determining or discovering the cessation of marriage:

1. if one joint member remains qualified to be a member and continues to use a service at the same location, then the joint membership converts to a membership comprised of this person.
2. if more than one joint member remains qualified to be a joint member and continues to use a service at the same location, then the joint membership converts to a membership comprised of these persons.
3. if all joint members remain qualified to be joint members and continue to use a service at the same location, then the joint membership converts to a membership of persons determined by cooperative; and
4. if no joint member remains qualified to be a member and continues to use a service at the same location, then the joint membership terminates.

Section 1.6 Provision of Cooperative Service.

A. Compliance.

A member shall comply with any reasonable procedure required by the cooperative regarding the provision of a service. Based upon different costs of providing a service to

different groups of members, the cooperative may have separate rate classes and may charge each class a different rate or price for providing the service.

B. Interruption of Cooperative Service.

The cooperative shall provide 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 service. The cooperative is not liable for damages, costs, or expenses, including attorney fees or legal expenses, caused by the cooperative providing inadequate, non-continuous, or fluctuating electric energy or other 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 service terminates upon delivery of the 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 services to members. The cooperative's responsibility and liability for providing a service terminate upon delivery of the service to a member.

C. Safe and Protected Operation of Cooperative.

A member shall take any act required by the cooperative to operate safely, reliably, and efficiently for the cooperative to provide a service. A member shall:

1. protect cooperative equipment and member equipment connected to cooperative equipment; and
2. install and maintain any protective device and implement and follow any protective procedure required by the cooperative. As necessary for the cooperative to operate safely, reliably, and efficiently, the cooperative may temporarily suspend or terminate provision of a service. A member shall not tamper with, alter, interfere with, damage, or impair cooperative equipment.

D. Ownership.

Except as otherwise expressly agreed by the Board, the cooperative owns all cooperative equipment.

E. Member Equipment Connected to Cooperative Equipment.

Except as otherwise provided by the Board, before member equipment is connected to cooperative equipment, the cooperative must approve the connection in writing. Before and while member equipment is connected to cooperative equipment, the member:

1. shall comply with, and shall ensure that the member equipment, the connection, and any act or omission regarding the member equipment and the connection comply with the governing documents, including terms, conditions, requirements, and procedures required by the cooperative.
2. shall ensure that the member equipment and the connection do not adversely impact the cooperatives ability to operate safely, reliably, and efficiently the cooperative or provide a service.

3. grants the cooperative the right to inspect the member equipment and the connection to determine whether the member equipment and connection comply with the governing documents.
4. grants the cooperative the right to disconnect member equipment that does not comply with the governing documents or that adversely impacts the cooperatives ability to operate safely, reliably, and efficiently the cooperative or provide a service; and
5. shall pay the cooperative for income not received or accrued because of the connection.

F. Responsibility.

If member equipment is connected to cooperative equipment, then:

1. the member is, but the cooperative is not, responsible for designing, installing, operating, maintaining, inspecting, repairing, replacing, and removing the member equipment.
2. the cooperative is not liable for damage to, or for the performance of, the member equipment.
3. the cooperative is not liable for damage to member property.
4. the member is responsible for knowing the concerns, risks, and issues associated with operating the member equipment and connecting the member equipment to cooperative equipment.
5. the member is liable for damage to, and for the non-performance of, the cooperative equipment caused by the member equipment or the connection; and
6. the member is liable for, and must indemnify the cooperative against, injury or death to any person and damage to any property caused by, or resulting from, the member equipment or the connection.

G. Wiring of Premises: Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties: Extent of Cooperative Responsibilities: Indemnification.

1. each member shall cause all premises receiving electric service pursuant to his membership to become, and to remain, wired in accordance with the specifications of the Texas Fire Insurance Underwriters Association, The National Electric Safety Code, any applicable state code, or local government ordinances, and the cooperative.
2. each member shall be responsible for and shall indemnify the cooperative and its employees, agents and independent contractors against death, injury, loss, or damage resulting from any defect in or improper use or maintenance of such premises and all wiring and apparatuses connected thereto or uses thereon.
3. each member shall make available to the cooperative a suitable site, as determined by the cooperative, whereon to place the cooperative's physical facilities for the furnishing and metering of electric service and shall permit furnishing and metering of electric service and shall permit the cooperative's authorized employees, agents, and independent contractors to have access thereto safely and without interference

from hostile animals for meter reading, and for inspection, maintenance, replacement, relocation, or disconnection of such facilities at all reasonable times.

4. each member shall also provide protective devices to his premises, apparatuses or meter base as the cooperative shall from time to time require in order to protect the cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities.
5. in the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, or revenues resulting from the failure or defective functioning of its metering equipment. The cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the cooperative's billing procedures. In no event shall the responsibility of the cooperative for furnishing electric service extend beyond the point of delivery.

H. 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 service to the member for a suspension reason (suspension reason sees 1.9). Without providing a member notice or an opportunity to comment, the cooperative may suspend or terminate the provision of a service to the member upon determining or discovering:

1. that cooperative equipment used to provide the service has been tampered with, altered, interfered with, damaged, or impaired.
2. that member equipment connected to cooperative equipment adversely impacts the cooperatives ability to operate safely, reliably, and efficiently the cooperative or provide a 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 1.7 Use of Cooperative Service.

A. Member Obligations.

1. member shall use electric energy provided by the cooperative.
2. member shall pay interest, compounded periodically, and late payment fees for amounts owed, but not timely paid, to the cooperative.
3. member shall pay all costs, including reasonable attorney and collection fees, required to collect or obtain payment of amounts owed, but not timely paid, to the cooperative.

4. the cooperative may transfer an amount owed, but not timely paid, on a member's account to another account of the member; and
5. regardless of the cooperative's accounting procedures, the cooperative may apply amounts paid by a member to all the member's accounts on a pro rata basis.

B. Reduction of Cooperative Service.

Except as otherwise provided in these bylaws, unless the cooperative receives prior written notice from a member that the member intends to substantially reduce or cease the member's use of a service, and as provided by the Board, if a member substantially reduces or ceases the member's use of a service, either singly or in combination, then the cooperative may charge the member, and the member shall pay the cooperative, the costs and expenses incurred by the cooperative in relying upon the members pre-reduction or pre-ceasing use of the service.

C. Sale of Cooperative Service.

Except as otherwise provided by the Board, a member may not sell, lease, or otherwise transfer a service provided by the cooperative or a right to a service provided by cooperative.

Section 1.8 Grant of Property Rights.

A. Required by Cooperative.

As required by the cooperative for a cooperative purpose, a member shall:

1. provide the cooperative safe and reliable access to or use of member property; and
2. pursuant to terms and condition specified by the cooperative, and without compensation from the cooperative, grant or convey to the cooperative a written easement, right-of-way, license, or other right or interest in member property, and to serve the member and/or other cooperative member, or serve other purposes of the cooperative, and execute a document regarding this grant or conveyance.

B. Cooperative Purpose.

A cooperative purpose is at any time, and in a manner determined by the cooperative to be:

1. purchasing, installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading, or replacing cooperative equipment or member equipment connected to cooperative equipment.
2. clearing, trimming, removing, or managing any trees, bushes, brush, or other vegetation.
3. providing a service to a member or one or more other members.
4. monitoring, measuring, or maintaining a service provided to a member or one or more other members.
5. providing electric energy to a person or one or more other persons.
6. monitoring, measuring, or maintaining electric energy provided to a person or one or more other persons.

7. authorizing, permitting, satisfying, or facilitating an obligation incurred, or right granted, by the cooperative regarding use of cooperative equipment; or
8. safely, reliably, and efficiently operating the cooperative or providing a service.

Section 1.9 Member Suspension.

A. Suspension.

The cooperative may suspend a member for the following reasons:

1. as provided in the governing documents.
2. as determined by the Board for good cause.
3. the member is no longer qualified to be a member.
4. the member does not timely pay an undisputed amount due the cooperative.
5. the member violates or does not timely comply with the governing documents.
6. the member ceases using a service; or
7. the member requests suspension.

B. Suspension Actions.

Upon a member's suspension:

1. other than the cooperative's obligation to retire and pay capital credits, and other than the cooperative's obligations regarding dissolution, the cooperative's duties, obligations, and liabilities imposed by the governing documents for the member cease and the cooperative may cease providing a service to the member; and
2. other than the members right to receive retired and paid capital credits, and other than the members rights upon the cooperative's dissolution, the member forfeits and relinquishes rights provided in the governing documents but remains subject to obligations imposed by the governing documents. A suspended member may not receive notice, nominate, vote, remove, demand, request, petition, consent, or otherwise act as provided in the governing documents.

C. Cooperative Actions.

1. unless the cooperative determines otherwise, a member's suspension is lifted upon the member rectifying the applicable suspension reason. The cooperative may lift a member suspension for good cause determined by the Board.

Section 1.10 Member Termination.

A. Membership.

Upon approval by the Board, a suspended member is terminated. Except as otherwise provided in these bylaws, a member is terminated upon:

1. the cooperative learning of the member's death, legal dissolution, or legal cessation of existence.
2. the member requesting termination; or
3. the cooperative learning that the member has permanently ceased using a service.
4. the member has failed to comply with the governing documents of the cooperative.

B. Partnerships.

A partnership member continuing to use a service is not suspended or terminated upon the death of a partner or following any other alteration in the partnership. A partner departing a partnership member remains liable to the cooperative for services provided to or for the member before, and amounts owed to the cooperative by the member at the time of, the partners departure.

C. Obligations.

Termination of a member does not:

1. release the member from debts, liabilities, or obligations owed to the cooperative; or
2. release the cooperative from the obligation to retire and pay capital credits to the former member or obligations to the former member regarding the cooperative's dissolution.

D. Guarantees.

Upon a member's termination from the cooperative, and after deducting amounts owed to the cooperative, the cooperative must return to the member any amount provided in the governing documents.

Article 2 — Rights and Liabilities of Members

Section 2.1 Non-Liability for Debts of the Cooperative.

A. Exceptions and Liability.

The private property of the members shall be exempt from the execution of other liabilities for the debts of the cooperative and no members shall be liable or responsible for any debts or liabilities of the cooperative.

Article 3 — Member Meetings and Member Voting

Section 3.1 Annual and Regular Member Meetings.

A. Annual Membership Meetings.

1. the cooperative shall annually hold a meeting of members; and
2. may call such other meetings of the members as the Board determines appropriate.
3. to the extent authorized by the Board, however, and subject to guidelines and procedures adopted by the Board, an annual member meeting may be held without a geographic location if the meeting is held through the internet or other electronic communications technology in a manner.
4. the cooperative may require registration permitting the cooperative to verify that each person participating in the meeting is a member; and a process permitting members, the opportunity to read or hear the proceedings substantially

concurrently with their occurrence, vote on matters submitted to the members, ask questions, and make comments.

B. Location of Annual Meeting.

1. the annual meeting of the members shall be held each year at such time and place within a county served by the cooperative designated by the Board of Directors, and which shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon reports for the previous fiscal year, and transacting such other business as may come before the meeting.

Section 3.2 Special Meetings.

A. Special Meetings.

1. special meetings of the members may be called by resolution of the Board Directors, or upon a written request signed by any three members of the Board of Directors, by the board chairman, or by ten per centum or more of all the members, and it shall thereupon be the duty of the board secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the cooperative, and at such date and hour as may be designated by the Board of Directors and shall be specified in the notice of the special meeting.

B. Purpose.

1. if such meeting is for the purpose of the removal of most of the Board of Directors, then such meeting shall be held in Parker County, Texas.
2. if the special meeting is called for the purpose of the removal of one director only the place of the meeting shall be determined by the Board of Directors.

Section 3.3 Reserved.

Section 3.4 Agenda, Attendance, and Action at Member Meetings.

A. Agenda.

Before or at an annual, regular, or special meeting, the Board shall:

1. determine the agenda, program, or order of business for the meeting; and
2. may limit attendance at the meeting to members and persons occupying a location with members.

B. Presiding Officer.

Except as otherwise provided by the Board before or at a meeting, the Board chairman or an individual designated by the Board chairman:

1. shall preside at the meeting.
2. may remove a person from the meeting for unruly, disruptive, or similar behavior; and

3. may exercise power reasonably necessary for efficiently and effectively conducting the meeting.

C. Action.

Except as otherwise provided by the Board before or at a meeting, members attending the meeting may consider, vote, or act only upon a matter for which:

1. except as otherwise provided in these bylaws, the Board and members were notified and
2. the members are authorized to consider, vote, or act only upon a matter for which the power to consider, vote, or act is conferred upon members by law, the articles, or these bylaws.

Section 3.5 Notice of Meetings.

As directed by the board chairman, board secretary, or any other officer or member properly calling the meeting, the cooperative shall deliver written notice of a meeting personally, by mail or electronic communication, either with or without other documents, to all members entitled to vote at a meeting. This notice must indicate the date, time, and location of the meeting and must be delivered at least ten (10) days, but no more than sixty (60) days, before the meeting.

Section 3.6 Member Quorum.

A. Quorum.

Except as provided in these bylaws, the quorum of the members for the transaction of routine business shall be:

1. present in person; and/or
2. responding to mail-in ballot or electronic ballot as authorized by the Board of Directors; and
3. presentation of a limited proxy, if any, as authorized by the Board of Directors and shall be at least three percent (3%) of the members.
4. for the election of directors, a quorum shall be at least three percent (3%) of the members in the Director district participating in the election process.

Section 3.7 Member Voting.

A. Credentials.

1. if a member presents identification or proof of cooperative membership as reasonably required by the cooperative, and if the member is not suspended, then, the member may cast one (1) vote on a matter for which the member is entitled to vote.
2. to vote for an entity member, an individual must present evidence requested by and satisfactory to the cooperative that the individual is authorized to vote for the entity member.
3. in no event shall an individual, utilizing a combination of that individuals' single membership, or as a representative of a non-natural person entity, be entitled to cast

more than four (4) votes on any issue submitted to a vote at a meeting of the members, unless approved by the Board of Directors in advance of the meeting.

B. Voting Criteria.

At all meetings of the members at which a quorum is present, all questions shall be decided by a vote by a majority of the members, voting thereon in person, except as otherwise provided by law, the Articles of Incorporation of the cooperative, or these bylaws.

C. Proxy.

Voting by proxy, electronic and/or mail-in ballots may be authorized by board resolution adopted upon the affirmative vote of two-thirds of the board membership.

Section 3.8 Director Election.

A. Voting Criteria.

Directors shall be elected by majority vote of:

1. members in the Director district participating in the election process.
2. members in the Director district voting by mail-in or electronic ballot duly authorized by the Board of Directors; and
3. presentation of a limited proxy, if any, as authorized by the Board of Directors.

B. Residence for Nomination and Voting Purpose.

For purposes of signing a Director Nomination Petition and voting in a director election, but not for purposes of establishing Primary Residence for eligibility to serve as a Director, a Member shall be deemed to have residence ("Voting Residence") in the Director District in which the Member uses Electric Service. If a Member uses Electric Service in more than one (1) Director District, the Member shall be deemed to have a Voting Residence in the district in which the Member first used, and continues to use, Electric Service. However, a Member who uses Electric Service in more than one (1) Director District may designate their primary residence as their Voting Residence if not in the district where the Member first used Electric Service. Any such designation must be in writing and submitted to the Cooperative.

C. Declaration of Winners.

The chairman of the membership meeting is authorized in director races which remain uncontested after all nominations have been made, to declare the unchallenged candidate as duly elected without requiring balloting for the director position.

D. Election Run-Offs.

If no candidate receives a majority vote in races containing three (3) or more candidates, a runoff election shall be held until a majority vote is attained. The Board of Directors shall authorize management to conduct the runoff election.

E. Tie-Votes.

In any election or situation in which a tie vote occurs, whether to determine the winner in a two-candidate election or to determine the runoff candidates in a multiple-candidate election, the tie-break shall be by lot.

Article 4 — Board of Directors

Section 4.1 Board of Directors.

A. Business Affairs of the Cooperative.

The business and affairs of the cooperative shall be managed by a Board of Directors which shall exercise all the powers of the cooperative conferred upon or reserved to the members.

B. Regulatory and Governing Authority.

The Board of Directors shall serve as the Regulatory Board of the cooperative and as the governing board of the cooperative. The Board shall have full power and authority to exercise all of the general powers as stated in the Texas Utilities Code and subsequent statutes, the Articles of Incorporation or these bylaws conferred including, but not limited to, the following: Said Board may perform any other acts for the cooperative or its members or for another electric cooperative or its members, and exercise any other power that may be necessary, convenient or appropriate to accomplish the purpose for which the cooperative is organized, including other or additional purposes benefitting members and non-members whether directly or through affiliates.

C. Creation of Subsidiary Corporations by the Cooperative.

The Board shall further have full power and authority to create and organize for profit and/or non-profit, subsidiary corporations, which shall be owned by the cooperative.

D. Business and Regulation Affairs of the Cooperative.

The business and affairs of regulation of the cooperative shall be managed by the TCEC Board of Directors which shall exercise all the powers of the cooperative conferred upon or reserved to the members. The Regulatory Board for the cooperative shall be the TCEC Board of Directors acting as the regulatory authority board for rates, tariffs and member complaints or concerns regarding the service provided by the cooperative.

Section 4.2 Director Districts.

A. Director District Design.

The service area of the cooperative is divided into board districts for the purpose of electing directors to serve on the TCEC Board of Directors. The purpose of the service area being divided into districts is to allow for adequate and equitable service area representation of the membership of TCEC members on the TCEC Board of Directors. The board districts shall be comprised of districts that represent the urban, suburban, rural, and extremely rural parts of the TCEC service territory. Urban districts shall be within 5% of each other, suburban and rural districts shall be within 5% of each other.

B. Board of Director Representation.

The Board of Directors shall have authority to increase and/or decrease the number of sitting directors by a two-thirds vote of the Board, as to provide appropriate service area representation of the membership on the Board of Directors.

C. Board of Directors Composition.

The Cooperative shall be served by nine (9) directors, unless otherwise enlarged or reduced by the Board.

D. Board of Directors Terms.

Directors shall serve for three-year overlapping terms in such a manner that approximately one-third of the Board is subject to election each year.

E. Board of Directors Redistricting.

The Board shall, from time to time, review and set the director districts to equitably represent the membership with a rural, suburban, and urban methodology determined by the Board. Redistricting of board districts shall be reviewed every three years, as determined by the Board.

F. Board District Boundaries and Purpose.

The district boundaries are established to address parity of membership numbers in each district while keeping communities of interest together in each district. Urban, suburban and rural parts of the service territory shall be a determination factor in comprising board districts. The area covered by each district may be reviewed by the Board of Directors at any time and the boundary line of such areas may be changed from time to time by order of the Board of Directors.

G. Election of Board of Directors.

Each Member of a Director district shall be entitled to one (1) vote upon each Director election for that individual Director district, and only Members of a Director district may vote in that Director district election. At each annual meeting of the members, directors shall be elected by and from the members in their Director district, to serve until their successor shall have been elected and shall have qualified.

H. Director Elections.

The President/CEO shall prepare a "Director Election Schedule and Election Procedures" for review and approval by the Board. The Schedule shall include: (1) dates, deadlines, forms, and procedures for the director nomination and election process; (2) the recommended deadlines and manner of voting; (3) campaign allowances and prohibitions; (4) schedule of candidate fees; and (5) deadlines for all notices to members; as well as other relevant deadlines and requirements leading up to and including the cooperative annual meeting.

Section 4.3 Director Qualifications.

A. General Director Qualifications.

To become a director, a person must comply with the following general qualifications:

1. be an individual; be a member of Tri-County Electric Cooperative, Inc. receiving service at his/her primary residential abode, and reside within the district for a period of (3) three years to which such director is elected to represent;
2. have the capacity to enter legally binding contracts.
3. not have been previously removed or disqualified as a director.
4. while a director, and before becoming a director, not be convicted of, or plead guilty to, a felony or two (2) misdemeanors; or found guilty of any offense involving moral turpitude.
5. before becoming a director, graduate from high school or earn an equivalent degree or certification.
6. not be in any way employed by or financially interested in any competition enterprise, business or partnership selling electrical energy or any service provided by the cooperative or its affiliates.
7. no person shall be eligible to become or remain a director of the cooperative who is a close relative of an incumbent director or of an employee of the cooperative provided, however, this provision shall not prohibit the eligibility of a close relative of an incumbent director from seeking such position if the conflict is eliminated by the election;
8. comply with any other reasonable qualifications determined by the Board.
9. not be an employee of the cooperative, or spouse of an employee of the cooperative, or former employee, or spouse of a former employee, who was employed by the cooperative at any time within ten (10) years of their employment with the cooperative; and
10. no person shall take or hold any elected position of national, state, county or city public office nor shall any person be a school board member and/or county commissioner.
11. no person shall have held an elected position as referenced in subsection 10 above within the preceding three (3) years immediately prior to the director election.

B. Membership Director Qualifications.

To become and remain a director, an individual must comply with the following membership qualifications:

1. while a director and during the three (3) years immediately before becoming a director, a member must:
 - a. be an unsuspended member.
 - b. permanently reside or use electric energy provided by the cooperative, at the individuals principal residence as defined under federal tax law within the service area, or the director district from which the director is nominated or elected.

- c. comply with application, petition and election standards set forth for election to the Board of Directors.
 - d. except as otherwise provided by the Board for good cause, shall receive a credentialed cooperative director designation, director's certificate, or similar designation or certification from the National Rural Electric Cooperative Association within thirty-six (36) months of becoming a director.
 - e. except as otherwise provided by the Board for good cause, attend at least two-thirds (2/3) of all board meetings during each twelve (12) month period; and
 - f. maintain the confidentiality of cooperative business discussed by the Board. Confidential cooperative business includes: all undisclosed matters covered or discussed in executive session of the Board; as well as all confidential information and business plans and trade secrets; private directors, employee or member information; potential or pending acquisition of real or personal property of the cooperative; operational plans and business promotions; power supply and generation interests; and all power distribution plans; until the Board has collectively agreed to the terms and timing for public disclosure of such information.
2. while a director and during the three (3) years immediately before becoming a director, a member must comply all provisions of the cooperative bylaws.

C. Independent Director Qualifications.

To become and remain a director, an individual must comply with the following independence qualifications:

1. annually complete and sign an independence certification and disclosure form approved by the Board.
2. while a director, not be employed by another director, or be employed by, or receive more than ten percent (10%) of annual gross income from, an entity for which another director controls, owns more than ten percent (10%), or is a director or officer; and
3. while a director and during the five (5) years immediately before becoming a director, not be employed by, control, own more than ten percent (10%) of, serve as a director or officer of, or receive more than ten percent (10%) of annual gross income from an entity that:
 - a. advances the entity's pecuniary interest by competing with the cooperative or a cooperative subsidiary or cooperative affiliate, providing a good or service similar to a good or service provided by the cooperative or a cooperative subsidiary or a cooperative affiliate providing electric energy or a good or service related to providing electric energy.
4. while a director, not engage in any behavior, actions or activities that (1) subject either the director or the cooperative to ridicule or embarrassment; (2) adversely affect the directors or the cooperatives reputation; (3) interfere with or diminish the

directors standing as a cooperative ambassador and representative; or (4) are contrary to the best interests of the cooperative and its employees.

D. Director Disqualification.

After being elected, designated, or appointed to the TCEC Board of Directors and if a director does not comply with all general director qualifications, membership director qualifications, and independent director qualifications, then for good cause as determined by the Board, the Board shall disqualify the director and the individual is no longer a director if:

1. the Board notifies the director in writing of the basis for, and provided the director an opportunity to comment regarding the Board's proposed disqualification; and
2. within twenty (20) days after the Board notifies the director of the proposed disqualification, the director neither complies with nor meets the director qualification.

Section 4.4 Director Nominations.

The Credentials and Elections Committee serves the membership by functioning as the screening process for members to seek election as a director. The committee serves two purposes: determine eligibility for members seeking to be on the upcoming election ballot and to rank the top candidates per eligible district. The committee may nominate up to three (per eligible district for an upcoming election. Any 3) director candidates (including the incumbent, if applicable) applicant that qualifies but is not nominated by the committee may choose to continue their election efforts through the member petition process.

A. Credentials and Elections Committee.

The Board shall annually nominate members to serve on the "Credentials and Elections Committee". The committee will accept and review nominations for director candidates for each director district scheduled for election each year. Members of the committee shall be members in good standing of the cooperative, not currently serving as directors or employees of the cooperative, not be closely related to directors, or candidates, and not be candidates for a director position. The committee shall be composed of not more than nine (9) members, nominated by the Board, including at least one from each director district. If a vacancy occurs on the committee, the Board shall appoint a replacement to the committee.

B. Credentials and Elections Committee Meetings.

The committee shall meet at a designated and noticed location for the purpose of accepting written applications of director candidates; and determining whether such applicants are qualified to be placed into nomination as director candidates for the districts scheduled for election. The committee will conduct meeting interviews with the applicants and ensure background checks are performed for all applicants. In receiving and reviewing the director candidate applications, the committee shall have the assistance of cooperative staff, and counsel if requested; and shall vote on the eligibility, pursuant to these bylaws, of each

candidate applicant. If there are no nominations for a district, the then incumbent director shall be nominated by the committee. A list of up to three (3) nominations (including the incumbent, if applicable) per eligible district shall be noticed to the membership, with such notice accomplished, at a minimum, by posting the committee report to a publicly accessible location at the cooperative or provided to a member on request.

C. Committee Presiding Officer and Committee Duties.

The committee shall select its own chairman; and issue its nominations to the TCEC membership, signed by a majority of the voting committee members. Committee members attending shall be subject to reimbursement of expenses for the meeting, and the Board may provide a reasonable per diem payment plus expenses to each member of the committee by board resolution.

D. Director Applications.

1. eligible members seeking nomination as a director shall file their applications by the deadline established in the most recent "Director Election Schedule", pursuant to the application form provided by the cooperative.
2. each director applicant shall execute, and attach to the application, the necessary and relevant consent forms provided by the cooperative for reasonable credit and criminal background checks.
3. each director applicant shall attach to the application the signatures of at least twenty-five (25) members whose primary residence is located within the director district for which the applicant seeks.
4. each director applicant shall also attach an application fee payment of one hundred dollars (\$100.00) or other fee as determined by the Board to cover the application process.

E. Incumbent Director Candidates.

Incumbent directors may be nominated for a subsequent term by turning in their application and accompanying attachments, consent forms, and fee payment by the applicable deadline. Incumbent director candidates shall have priority in designating the position of their name on the top of the election ballot with the word "incumbent" beside their name so members will easily recognize the current directors seeking re-election.

F. Nomination by Petition.

1. members qualified by the Credentials and Elections Committee who were not ranked in the top three (3) may seek nomination by petition by returning a petition containing the signatures of fifty (50) members who reside in their district.
2. the petition must be filed with the committee by the deadline established in the election schedule and must be on the form as provided by the cooperative.
3. the petition must be accompanied by a candidate application and background check consent forms.
4. each petitioning director candidate applicant shall also attach an application fee of

one hundred dollars (\$100.00) or a fee determined by the Board to recover a portion of the election costs. This application fee is separate from the Credentials and Elections fee outlined in Section 4.4 D above to offset part of the added expense of the petition process.

5. petitioning candidates who are determined eligible shall have their names included on the ballot for election for the applicable director district. The label of "Petitioning Candidate" shall accompany the petitioning candidate's name on the ballot.

G. Notice of Director Nominations.

At least thirty (30) days before an election at which members are scheduled to elect directors, the cooperative shall notify members of the:

1. director positions scheduled for election by members,
2. names and corresponding director positions of all candidates seeking a position on the Cooperative Board of Directors and,
3. along with a proper listing of candidates seeking election to the Board of Directors that lists the incumbent director at the top of the ballot with "incumbent" listed beside their name and,
4. along with a proper listing of petitioning candidates seeking election to the Board of Directors that lists the petitioning candidate on the ballot with "petitioning candidate" listed beside their name and,
5. along with candidates nominated by the committee will be listed alphabetically below the incumbent's name on the ballot.

Section 4.5 Director Elections.

At each meeting at which a director position is scheduled for election by members, members shall elect the director by a majority of votes cast by members with a quorum present in person or by mail or electronic ballot and/or limited proxy as approved and authorized by the Board. Members may not vote for write-in candidates. As determined by the Board, the number of votes received by each nominee may not be announced but will be available upon request by a candidate. If no candidate receives a majority vote in races containing three (3) or more candidates, a runoff election shall be held until a majority vote is attained. If only one individual is nominated to run for election for a director position scheduled for election by members at the meeting, then the individual presiding at the meeting may announce that the nominated individual is elected by acclamation and no vote is required.

Section 4.6 Director Terms.

Except as otherwise provided in these bylaws, a complete director's term is three (3) years or until a successor director is elected or appointed and takes office.

A. Director's Term Begins:

1. after the individual consents to being elected or appointed as a director; and
2. immediately after adjournment of the meeting at which the director is elected, or at the beginning of the first board meeting held after the director is appointed.

B. Director's Term Ends After:

1. a successor director consents to being elected as a director; and
2. immediately after adjournment of the meeting at which a successor director is elected, or at the beginning of the first board meeting held after a successor director is appointed.

C. Director Terms and Election.

The cooperative shall stagger director terms by dividing the total number of authorized directors into three (3) groups of approximately equal number. Members must annually elect directors. Subject to a director's consent, decreasing the number of directors or length of director terms may not shorten an incumbent director's term.

Section 4.7 Director Resignation.

A director may resign at any time. To resign, a director must sign and deliver a written or electronic notice of resignation to the Board, board chairman or board secretary. Except otherwise provided in a notice of resignation, a director's resignation is effective when the Board, board chairman or board secretary receives the 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 4.8 Director Removal.

A. Director Removal By Membership Petition.

1. For a director for whom removal is requested, the members must first notify the Board chairman or Board secretary the beginning date of the petition drive;
2. then, within sixty (60) days, deliver to the Board chairman or Board secretary a dated written petition;
3. Identifying on each page the individual director to be removed;
4. explaining on each page, the basis for the director's removal and,
5. containing the printed names, printed addresses, and original and dated signatures; all of which are obtained within the sixty (60) days.
6. The number of member signatures to be obtained must be at least five percent (5%) of the current membership; of which at least half, or 1500, whichever is greater, must be from members residing within the district which is subject to the removal.
7. The provisions of Section 1.5 of these Bylaws apply with regard to multiple individuals who may have authority under a single or joint membership to vote or sign for the membership: only one vote, or one signature per member is permitted.

B. Board of Directors Action.

Within thirty (30) days after the board chairman or board secretary receives a director removal petition:

1. the cooperative shall forward a copy of the director removal petition to the implicated director.

2. the implicated director shall not participate in discussion or deliberation of the Board on the matter until it is resolved; and
3. the Board shall meet to review the director removal petition and allow the implicated director to appear in person and/or by counsel.

C. Membership Meeting.

If the Board determines that the director removal petition complies with this bylaw, then the cooperative shall notice and hold a member meeting within ninety (90) days following the board's determination. Notice of the member meeting must state that:

1. a purpose of the meeting is to consider removing a director.
2. evidence must be presented, and a membership vote taken, regarding removing the director.

D. Quorum and Membership Meeting Agenda.

If a member quorum is present in person at the meeting, then the removal meeting or hearing shall be conducted as follows:

1. before a member vote, evidence must be presented by petition supporters or their counsel, supporting the basis for removing the director,
2. the director, who may be represented by legal counsel, must have the opportunity to refute, and present evidence opposing the basis for removing the director; and
3. after the director's presentation and member discussion, the members must vote whether to remove the director.
4. if a majority vote of the members present vote to remove the director, then the director is removed effective the time and date of the member vote.

E. Director Removal or Discipline by Board.

1. Upon the establishment of the fact that a board member is holding the office in violation of any of the provisions of these bylaws, the Board may discipline or remove such board member from office.
2. Discipline for such violations may include, but are not limited to, reprimand, censure, or removal, depending on the severity of the violation; and may also include limiting a director's compensation, travel or other directors benefits.
3. Any Board action under this section must be by the vote of at least two thirds (2/3) of the remaining directors.
4. Action under this section is initiated by a complaint filed with the Board Chairman or the Board Secretary by a member of the Board, and a determination by a simple majority of the Board that the complaint is made in good faith.

Section 4.9 Director Vacancy.

A. Board Authority.

Except as otherwise provided in these bylaws:

1. by an affirmative vote of the majority of remaining directors, and within a reasonable time of a director position becoming vacant the Board may fill a vacant director

position, including a vacant director position resulting from increasing the number of directors; and

2. a director appointed by the Board to fill a vacant director position who serves the unexpired director term of the vacant director position.

B. Other.

If a director vacancy will occur at a later specified date, then the Board may fill the vacancy before the vacancy occurs and the new director takes office when the vacancy occurs. An individual appointed to fill a vacant director position must comply with all director qualifications.

Section 4.10 Director Compensation.

A. Director Compensation.

Directors as such shall receive no salary for their service. However, by resolution of the Board of Directors each director shall be compensated as non-employees at such levels approved by the Board for Board meetings and authorized attended events plus reasonable expenses of attendance. No director shall receive compensation for serving the cooperative in any other capacity.

B. Emergency Compensation.

In emergencies, the directors may be paid compensation for necessary services rendered where expressly authorized by the Board.

C. Misc.

Except in emergencies, no director shall receive compensation for serving the cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the cooperative, unless such compensation shall be specifically authorized by a vote of the non-affected members of the Board of Directors.

D. Indemnification.

The cooperative shall indemnify present and former directors, officers, including the President/CEO, agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and if actionable at all, were based upon good faith business judgement in the belief the acts or omissions were in the best interests of the cooperative or were not against the best interests of the cooperative. The cooperative may purchase insurance to cover such indemnification.

Section 4.11 Director Conduct.

A. 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:

1. in good faith.
2. in a manner the director reasonably believes to be in the cooperative’s best interests.
3. 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
4. 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.

B. Director Reliance on Others.

Unless a director has actual 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 class of individuals 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 individuals 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 4.12 Directors Liability.

A. Liability.

To the fullest extent permitted by law, a director of the cooperative is not liable to the cooperative or to its members for monetary damages for an act or omission in the directors capacity as a director except that this does not eliminate or limit the liability of a director for:

1. a breach of a director’s duty of loyalty to the cooperative or its shareholders or members.
2. an act or omission not in good faith or that involves intentional misconduct or a knowing violation of law.

3. a transaction from which a director received an improper benefit; whether the benefit resulted for an action taken within the scope of the director's office; and
4. an act or omission for which the liability of a director is expressly provided for by statute.

B. Application.

This article only applies to an act or omission occurring on or after August 31, 1987.

Section 4.13 Close Relative.

A. Close Relative.

The term close relative means an individual who:

1. through blood, law, or marriage, is a spouse, child, stepchild, father, stepfather, mother, stepmother, brother, stepbrother, half-brother, sister, stepsister, half-sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law; and
2. resides in the same residence.

B. Other.

An individual qualified and elected, designated, or appointed to a position does not become a close relative while serving in the position because of a marriage or legal action to which the individual was not a party.

Article 5 — Board Meetings and Director Voting

Section 5.1 Regular Board Meetings.

A. Regular Board Meetings of the Board of Directors.

The Board shall regularly meet at the date, time, and location determined by the Board. Except as otherwise provided in these bylaws, the Board may hold regular board meetings without notice. For good cause, the board chairman may change the date, time, or location of a regular board meeting.

B. Notice and Waiver of Notice.

A director not attending a board meeting at which the regular board meeting date, time, or location is changed may be entitled to receive notice of the regular board meeting change at least three (3) business days before the next regular board meeting. All directors are entitled to receive notice of a change in a regular board meeting date, time, or location at least three (3) business days before the changed regular board meeting.

Section 5.2 Special Board Meetings.

The Board, the board chairman, or at least three (3) directors may call a special meeting of the Board by providing each director at least three (3) business days prior notice indicating the date, time, and location purpose of the special board meeting.

Section 5.3 Conduct of Board Meetings.

A. Conduct of Board Meetings.

Except as otherwise provided in these bylaws, a regular board meeting or special board meeting may be:

1. held in, or out of the state in which the cooperative provides a service; and
2. conducted with absent directors participating, and deemed present in person, through any means of communication by which all directors participating in the board meeting may simultaneously hear each other during the board meeting.

B. Presiding Officer of Board Meetings.

If a director quorum is present at a board meeting, then:

1. in descending priority, the following officers may preside at the board meeting: board chairman, board vice chairman, board secretary, and board treasurer; and
2. if no officer is present or desires to preside at a board meeting, then the directors attending the board meeting must elect a director to preside over the board meeting.

C. Rules, Policies and Procedures.

The Board may promulgate or approve rules, policies, and procedures regarding:

1. attendance at, participation in, or presentation during board meetings by persons other than directors.
2. the right to access, inspect, or copy minutes, records, or other documents relating to a board meeting by persons other than directors; or
3. the conduct of board meetings.

Section 5.4 Waiver of Board Meeting Notice.

A. Waiver of Notice.

At any time, a director may waive notice of a board meeting by delivering to the cooperative a waiver of notice signed by the director and later filed with the board meeting minutes or the cooperative's records.

B. Attendance as a Waiver.

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. at the beginning of the board meeting, or promptly upon arrival, 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 5.5 Board Action by Written Consent.

A. Board Action.

Without a board meeting, the Board may take an action required or permitted to be taken at a board meeting if the action is:

1. taken by all directors; and evidenced by one or more consents.

B. Board Action Validity.

All board actions must:

1. describing the action taken.
2. signed by each director.
3. delivered to the cooperative; and
4. included with the cooperative's board meeting minutes.

C. Board Action Effective Date.

Except as a different effective date is provided, action taken by written consent is effective when the last director signs the director consent. A director consent has the effect of, and may be described as, a board meeting vote.

Section 5.6 Director Quorum and Voting.

A. Quorum.

A quorum of directors constitutes most of the directors in office immediately before a board meeting begins.

B. Voting.

Only one vote may be cast by a director.

Section 5.7 Board Audit Committee.

A. Audit Committee of The Board of Directors.

The Board shall have an audit committee that is directly responsible for appointing, and overseeing, the work of any registered public accounting firm employed by the cooperative.

B. Audit Committee Membership.

Each member of the board audit committee:

1. must be a director; and
2. other than in the capacity as a member, director, or member of a board committee, must not accept any consulting, advisory, or other compensatory fee from the cooperative.

Section 5.8 Board Committees.

A. Other Board Committees.

The Board may have other committees of the Board as determined by a majority vote of the Board. Each member of a board committee shall be a current director of the Board.

B. Board Committee as a Whole.

The Board may meet as a committee of the whole.

Article 6 — Officers, Indemnification, and Insurance

Section 6.1 Required Officers.

The cooperative must have the following officers: board chairman, board vice chairman, board secretary, and board treasurer. The offices of the board secretary and board treasurer may be held by the same person. The Board shall elect officers at the first regular board meeting following each annual membership meeting, or as soon after each annual membership meeting as reasonably possible and convenient.

Section 6.2 Board Chairman.

A. Board Chairman Duties.

Except as otherwise provided by the Board or members or these bylaws, the board chairman:

1. shall be assisted by the President/Chief Executive Officer and preside at all meetings of the members and of the Board.
2. shall sign, with the board secretary certificates of membership, the issue of which shall have been authorized by resolution of the Board, and may sign any deeds, mortgages, deeds of trust, notes, bonds, or contracts or other instruments authorized by the Board to be executed except in cases in which the signing and execution thereof shall be expressly delegated by the Board 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

B. Other Duties.

The board chairman shall perform all other duties incident to the office of board chairman and such other duties as may be prescribed by the Board from time to time.

Section 6.3 Board Vice Chairman.

In the absence of the board chairman, or in the event of his or her inability or refusal to act, the board vice chairman shall perform the duties of board chairman, and when so acting, shall have all the power of and be subject to all the restrictions upon the board chairman and shall perform such other duties as from time to time may be assigned to him by the Board.

Section 6.4 Board Secretary.

A. Board Secretary Duties.

Except as otherwise provided by the Board or members or these bylaws, the board secretary or his/her designee shall:

1. keep or cause to be kept the minutes of the members and the Board in one or more books provided for that purpose.
2. see that all notices are duly given in accordance with these bylaws or as required by law.
3. responsible for the seal of the cooperative and see that the seal of the cooperative is affixed to all certificates of membership prior to the issue thereof and to all

documents, the execution of which on behalf of the cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;

4. keep or cause to be kept a register of the post office address of each member which shall be furnished to the board secretary by such member.
5. sign with the board chairman certificates of membership, the issue of which shall have been authorized by resolution of the Board.
6. have general charge of the books of the cooperative in which a record of the membership is kept.
7. always keep on file a complete copy of the bylaws of the cooperative containing all amendments hereto, which copy shall always be open to the inspection of any member, and at the expense of the cooperative forward a copy of the bylaws and all amendments thereto to each member upon request; and
8. perform all duties incident to the office of board secretary and such other duties as from time to time may be assigned to the board secretary by the Board.

Section 6.5 Board Treasurer.

A. Board Treasurer Duties.

The board treasurer shall:

1. have charge and custody of and be responsible for all funds and securities of the cooperative through delegation to the President/CEO or designee.
2. have charge that the President/CEO or designee will receive and give receipts for moneys due and payable to the cooperative from any source whatsoever, and deposit all money in the name of the cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
3. perform all the duties incident to the office of the board treasurer and such other duties as from time to time may be assigned to the board treasurer by the Board.

B. Other Duties.

The board treasurer shall perform all other duties as may be prescribed by the Board.

Section 6.6 Delegation of Secretary and Treasurer Responsibilities.

Notwithstanding the duties, responsibilities and authorities of the board secretary and of the board treasurer hereinbefore provided in Sections 6.4 and 6.5, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular routine administration of, one or more of each such officers duties to one or more agents, other officers or employees of the cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities, and authorities.

Section 6.7 President/CEO.

A. President/Chief Executive Officer.

The Board may appoint a President/CEO or an officer of similar title.

B. Duties.

The President/CEO shall perform such duties as the Board from time to time shall require of him/her and shall have such authority as the Board may from time to time vest in him/her. The President/CEO shall serve in an executive capacity in accordance with the instruction of the Board.

Section 6.8 Officer Resignation and Removal.

At any time, an officer of the Board may resign or may be removed by the Board for the unexpired portion of their term.

Section 6.9 Officer Standard of Conduct.

A. Duties.

An officer shall discharge the officer's duties:

1. in good faith.
2. with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
3. in a manner the officer reasonably believes to be best for the cooperative.

Section 6.10 Bonds.

At the cooperative's expense, the cooperative may purchase a bond covering a cooperative official or officer. The Board of Directors shall require the board treasurer, or any other officer of the cooperative charged with responsibility for the custody of its funds or property, to be bonded in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require other officers, agents or employees of the cooperative be bonded in such amount and with surety as it shall determine.

Section 6.11 Indemnification.

A. Indemnification of Director or Officer.

The cooperative shall indemnify:

1. an individual who is or was a director or officer, including the President/CEO, agents, and employees.
2. an individual who, while a director, officer, or employee, 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 who was wholly 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 to which the director or officer was, is, or is threatened to be made a named defendant or respondent because the director or officer is or was a director or officer.
4. this indemnification is against reasonable expenses, including reasonable attorney fees actually incurred by the director or officer in connection with the proceeding if the individual:

- a. acted in good faith.
- b. reasonably believed:
 - 1. for conduct as a cooperative official, that the indemnification individuals conduct was in the cooperative’s best interest; and
 - 2. for all other conduct, that the indemnification individuals conduct was at least not opposed to the cooperative’s best interests; and
- c. the indemnification is consistent with the allowances under Texas law.
- d. in the case of any criminal indemnification proceeding, had no reasonable cause to believe the indemnification individuals conduct was unlawful.

B. Advance for Expenses.

Before the final disposition of an indemnification proceeding, the cooperative may pay for, or reimburse, the reasonable indemnification expenses.

ARTICLE 7 — PATRONAGE CAPITAL

Section 7.1 Capital Credits.

The cooperative shall allocate patronage and pay capital credits as provided in this article.

A. Capital Credits.

For each amount allocated to a patron, the patron shall contribute a corresponding amount to the cooperative as capital. The cooperative must credit all capital contributions from a patron to a capital account for the patron. The cooperative shall maintain books and records reflecting the capital contributed by each patron. At the time of receipt by the cooperative, each capital contribution is treated as though the cooperative paid the amount allocated to the patron in cash pursuant to a pre-existing legal obligation and the patron contributed the corresponding amount to the cooperative as capital. The term capital credits mean the amounts allocated to a patron and contributed by the patron to the cooperative as capital.

B. Patron.

The term patron means, during a fiscal year: (1) a member; and (2) any other person or entity using a service to whom the cooperative is obligated to allocate capital credits, which obligation existed before the cooperative received payment for the service.

C. Allocations of Capital Credits.

Consistent with this bylaw, the allocation of capital credits is in the discretion of the Board and the Board must determine the notice of revenue, manner, method, and timing of allocating capital credits. The cooperative may use or invest unretired capital credits as determined by the Board. To secure a patrons obligation to pay amounts owed to the cooperative, including any compounded interest and late payment fee, and in return for the cooperative providing a service to the patron, the cooperative has a security interest in capital credits allocated to the patron. The patron authorizes the cooperative to perfect this security interest by filing a financing statement.

D. Different and Separate Allocations.

As reasonable and fair, the cooperative may allocate capital credits to classes of similarly situated patrons under different manners, methods, and timing, provided the cooperative allocates capital credits to similarly situated patrons under the same manner, method, and timing. If the cooperative is a member, patron, or owner of an entity from which the cooperative uses a good or service in providing a 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 patrons this capital credit or similar amount allocated by the entity.

E. 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.

Section 7.2 Interest or Dividends on Capital Prohibited.

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

Section 7.3 Patronage Capital in Connection with Furnishing Electric Energy.

A. Patronage.

In the furnishing of electric energy, the cooperative's operations shall be so conducted that all patrons, members, and non-members alike, will through their patronage furnish capital for the cooperative. In order to induce patronage and to assure that the cooperative will operate on a non-profit basis the cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, 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 more than operating costs and expenses, now of receipt by the cooperative, are received with the understanding that they are furnished by the patrons, members, and non-members alike, as capital.

B. Calculation.

The amounts of such patron's capital credits are to be determined on an annual basis by dividing the amount transferred to the patronage capital account for each year by the total

electric bills of those who were patrons of the cooperative in that year and applying the resulting percentage factor to the electric bill of each such patron.

Section 7.4 Allocation of Capital Credits.

The cooperative is obligated to allocate, by credits to a capital account for each patron, all such amounts more than operating costs and expenses. The books and records of the cooperative shall be set up and kept in such manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the cooperative shall within a reasonable time after the close of a fiscal year notify each patron of the amount of capital so credited to his, her, or its account. All such amounts credited to the capital account of any patron shall have the same status as though paid to the patron in cash pursuant to a legal obligation to do so and the patron had then furnished the cooperative corresponding amounts of capital. Any operating loss of the cooperative shall be offset by subsequent year's margins prior to allocation.

Section 7.5 Allocation by Board.

Consistent with this bylaw, the allocation of capital credits is in the discretion of the Board. The Board is the sole determinate of the nature of its revenues; and the Board must determine the manner, method, and timing of allocating capital credits. The cooperative may use or invest unretired capital credits as determined by the Board.

Section 7.6 Payments of Capital Credits.

A. Final Payments.

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, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part.

B. Dissolution of Capital.

Any such retirement of capital upon dissolution shall be made in a manner as specified by the Board of Directors for any respective year, adopted by an affirmative vote of two-thirds (2/3) of the membership of the Board of Directors and prescribing a policy for payment of capital credit on a basis consistent with the legal requirements for the payment of such capital credit. In no event, however, may any such capital be retired unless after the proposed retirement, the capital of the cooperative shall be sufficient to meet the requirement of lending institutions and agencies.

Section 7.7 Retiring Small Accounts.

When such retirements of capital are made to the members, the cooperative shall be obligated to pay to each member or former member his/her share of the capital so retired in accordance with these bylaws in the following manner. For active members with capital credit balances owed of \$150.00 or less, the cooperative shall have the capital credit balance owed to the member credited to the member's account. For active members with a capital credit balance owed of \$150.01 or greater, and inactive members for which the cooperative maintains a valid address, the cooperative shall issue checks therefore and mail same to such members and former members at their last known address.

Section 7.8 Capital Assignment.

A. Assignment.

Capital credited to the account of each patron shall be assignable only on the books of the cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the cooperative unless the Board of Directors, acting under policies of general application shall determine otherwise. In the event that a non-member patron shall elect to become a member of the cooperative, the capital credited to the account of such non-member patron may be applied by the cooperative toward the payment of a membership fee on behalf of such non-member patron.

B. Bankrupt Patrons.

Patrons at any time may assign their capital credits back to the cooperative and the cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt patrons.

C. Transfers.

Any attempt to assign or transfer the capital credited to the account of a patron pursuant to state or federal law is subject to a right of first refusal vested in the cooperative for a period of sixty (60) days following notice to the cooperative of a proposed transfer of such capital to the extent the cooperatives meets any compensation terms of the proposed transfer.

Section 7.9 Payment Upon Death.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any natural person who is a patron, if the legal representatives of his or her estate shall request in writing that the capital credited to any such deceased patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such deceased patron immediately upon such terms and conditions as the Board of Directors may designate. Estate capital credits will be subject to a four percent (4%) discount rate for up to twenty-five (25) years.

Section 7.10 Retiring Capital Credits.

The cooperative may retire and pay capital credits allocated to patrons and former patrons as provided in this bylaw. If the cooperative retires and pays capital credits, then the cooperative must retire and pay capital credits in a patron’s name as shown in the cooperative’s records, regardless of the patron’s marital status. If the cooperative mails a retired capital credit payment, then the cooperative shall mail the payment to the patron or former patron’s address as shown in the cooperative’s records.

A. General Capital Credit Retirements.

At any time before the cooperative’s dissolution, liquidation, or other cessation of existence, the cooperative may generally retire and pay some or all capital credits allocated to patrons and former patrons.

B. Special Capital Credit Retirements.

The cooperative may specially retire and pay some or all capital credits allocated to an individual patron or former patron:

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.

C. Capital Credit Recoupment and Offset.

Regardless of a statute of limitation or other time limitation, after retiring capital credits allocated to a patron or former patron, the cooperative may recoup, offset, or setoff an amount owed to the cooperative by the patron or former patron, including any compounded interest and late payment fee, by reducing the allocated or net present value amount of retired capital credits paid to the patron or former patron by the amount owed to the cooperative.

D. Capital Credit Retirement Discretion.

The cooperative may retire and pay capital credits only if the Board determines that the retirement and payment will not adversely impact the cooperative’s financial condition. 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.

E. Different and Separate Capital Credit Retirements.

As reasonable and fair, the cooperative may retire and pay capital credits to classes of similarly situated patrons and former patrons under different manners, methods, and timing, provided the cooperative retires and pays capital credits to similarly situated patrons and former patrons under the same manner, method, and timing. 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 member, patron, or owner, then the cooperative may retire and pay these capital credits before or after the entity retires and pays the capital credits or similar amounts to the cooperative.

F. Discounted Capital Credit Payments.

As determined by the Board, before the time the cooperative anticipates normally retiring and paying capital credits, the cooperative may retire some or all capital credits and pay the net present value of the retired capital credits.

G. Unclaimed Capital Credits.

The cooperative may regularly impose a reasonable dormancy or service charge for each year a patron or former patron fails to claim capital credits retired and paid to the patron or former patron. Through a voluntary written assignment signed by a patron or former patron, which assignment is revocable and is not a condition of the cooperative providing a cooperative service to the patron, the patron or former patron may assign or transfer to the cooperative any past, present, or future capital credits retired and paid to the patron or former patron, but not claimed by the patron or former patron within two (2) years of retirement and payment, provided the cooperative undertook or undertakes reasonable measures to notify the patron or former patron of the retired and paid capital credits.

Section 7.11 Patronage on Capital Accrued from Affiliates.

The treatment of capital credits from an entity or affiliate, to which the cooperative is a member, is in the discretion of the Board of Directors. The Board must determine the nature of the revenue received and any manner, method, timing of allocating, and payment of such capital credits. The cooperative may use or invest retired or unretired capital credits as determined by the Board.

Section 7.12 Patronage Refunds in Connection with Furnishing Other Services.

In the event that the cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law be: 1) used to offset any losses incurred during the current or any prior fiscal year as determined by the Board and 2) used to establish reserves and other capital not assignable to the patrons prior to the dissolution of the cooperative.

Section 7.13 Patron Agreement.

A. Member Agreement.

Each patron and former patron agree that:

1. capital credits are not securities under state or federal law.

2. the patron’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
3. as required by law, each patron will:
 - a. report to the appropriate entity all allocated or retired capital credits; and
 - b. pay the appropriate entity any tax or similar amount on allocated or retired capital credits.

Section 7.14 Non-Member Patrons and Non-Member Non-Patrons.

A. Condition of Service.

As a condition of using a service, and except as otherwise provided by the Board:

1. to the same extent as a member, a patron who is not a member and a person using a cooperative service who is not a member or patron must abide by and be bound to the duties, obligations, liabilities, and responsibilities imposed by the governing documents upon members.
2. a non-member patron or a former non-member patron has none of the rights granted by the governing documents to members, other than the rights to:
 - a. be allocated capital credits; and
 - b. be paid retired capital credits; and
3. a non-member non-patron has none of the rights granted by the governing documents to members.

Section 7.15 Reasonable Reserves.

Regardless of a contrary bylaw, and to meet the cooperative’s reasonable needs, the cooperative may accumulate and retain amounts exceeding those needed to meet current losses and expenses. The cooperative must keep records necessary to determine, at any time, each patron’s rights, and interest in reasonable reserves.

Section 7.16 Debts Offset.

Regardless of the statute of limitations or other time limitation, the cooperative may recoup, offset, or set off any amount owed to the cooperative by a patron prior to the payment of capital credits to the patron. Patron amounts offsets shall be together with interest thereon on the Texas legal rate on judgments in effect when such amount becomes past due, compounded annually.

Article 8 — Disposition of Cooperative Assets

Section 8.1 Transfer of Cooperative Assets.

A. General.

Except for a sale, lease, exchange, disposition, conversion, or other transfer of cooperative assets to:

1. secure indebtedness.
2. pursuant to condemnation or threat of condemnation.

3. pursuant to an existing legal obligation.
4. associated with a consolidation or merger.
5. consisting of the cooperative's ownership in an entity.
6. to an entity operating on a cooperative basis and providing electric energy; or
7. to a cooperative subsidiary, the cooperative may not transfer all or substantially all the cooperatives assets.

B. Transfer of Cooperative Assets.

Notwithstanding the above and foregoing, a sale, exchange, transfer or other disposition of all or substantially all the cooperative property is authorized at a meeting of the members thereof by an affirmative vote of not less than two-thirds (2/3) of the members of the cooperative.

Except as otherwise provided by the members after the membership approves a transfer, the board may abandon the transfer.

Section 8.2 Merger or Consolidation.

A. General.

The cooperative may consolidate, merge with, or acquire an entity operating on a cooperative basis that provides any good or service. To consolidate, merge or acquire, the cooperative must comply with this bylaw.

B. Board Approval.

To consolidate, merge or acquire, the Board must approve an agreement or plan to consolidate or merge stating the:

1. terms and conditions of the consolidation, merger, or acquisition.
2. name of each entity consolidating or merging with the cooperative.
3. name of the new or surviving consolidated or merged entity.
4. manner and basis, if any, of converting memberships or ownership rights of each consolidating or merging entity into memberships or ownership rights of, or payments from, the new entity.
5. number of directors of the new entity, which must equal or exceed five (5).
6. date of the new entity's annual meeting.
7. names of new entity directors who will serve until the new entity's first annual meeting; and
8. other information required by law.

C. Member Approval.

To consolidate or merge:

1. after the Board approves a consolidation, merger or acquisition agreement, a majority of the members voting in person, by mail-in ballot, electronic ballot, or proxy approved by the Board of Directors shall constitute a quorum to vote on a consolidation, merger or acquisition.

D. Notice.

The cooperative shall notify directors of a board meeting, and members of a meeting, at which directors or members may consider a consolidation, merger, or acquisition agreement. This notice must contain or be accompanied by, a summary or copy of the consolidation or merger agreement.

E. Other Requirements.

The new entity directors named in the consolidation or merger agreement must sign and file articles of consolidation or merger in a manner, and stating the information, required by law. The cooperative shall comply with all other requirements for consolidation or merger specified by law.

Section 8.3 Distribution of Cooperative Assets Upon Dissolution.

A. Cooperative Assets Upon Dissolution.

Upon the cooperative's dissolution:

1. the cooperative shall pay, satisfy, transfer, or discharge all cooperative debts, obligations, and liabilities.
2. the cooperative shall retire and pay all capital credits allocated to patrons and former patrons; and
3. after paying, satisfying, or discharging all cooperative debts, obligations, and liabilities, and after retiring and paying all capital credits.
 - a. the cooperative shall first distribute gains from selling an appreciated cooperative asset to members and former members who used services during the period in which the cooperative owned the cooperative asset in proportion to the value or quantity of services used by the member or former member during the period the cooperative owned the cooperative asset;
 - b. the cooperative shall then distribute non-patronage earnings used by the cooperative as permanent, unallocated equity to members who used services during the period in which the cooperative received the earnings in proportion to the value or quantity of services used by the member during the period the cooperative received the earnings; and
 - c. the cooperative shall then pay or distribute any remaining cooperative assets, and any amounts received from selling any remaining cooperative assets, to the members and former members in proportion to the value or quantity of services used during the seven (7) years before the cooperatives dissolution.

Article 9 — Financial Transactions

Section 9.1 Contracts.

Except as otherwise provided in these bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on the behalf of the cooperative, and such authority may be general or confined to specific instances.

Section 9.2 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 and/or countersigned by such officer or officers, agent or agents, employee or employees of the cooperative and in such manner as shall from time to time be determined by resolution of the board.

Section 9.3 Deposits.

All funds except petty cash of the cooperative shall be deposited in such bank or banks as the Board of Directors may select.

Section 9.4 Fiscal Year.

The fiscal year of the cooperative shall begin the first day of April of each year and shall end on the last day of March of the following year.

Article 10 — Miscellaneous

Section 10.1 Membership in Other Organizations.

The cooperative may upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification and development. The cooperative may wholly own a for-profit subsidiary or affiliate.

Section 10.2 Waiver of Notice.

Any member or board member may waive in writing any notice of a meeting to be given by these bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meetings by such member or board member, except in case a member or board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 10.3 Policies, Rules and Regulations.

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

Section 10.4 Accounting System and Reports.

The Board shall cause to be established and maintained a complete accounting system subject to applicable laws and rules and regulations of any regulatory body. The Board shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the cooperative as of the end of each fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

Section 10.5 Area Coverage.

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

Section 10.6 Bylaw Amendment.

Except as otherwise provided in these bylaws, these bylaws may be adopted, amended, or repealed only by the vote of two-thirds (2/3) of directors. Such bylaw amendment is effective immediately after the vote approving the amendment. The amended bylaws shall be made available upon request to any cooperative member.

A. Notice of Bylaw Amendment.

Notice of a board meeting at which directors will consider a proposed bylaw amendment must:

1. state that the purpose, or one of the purposes, of the board meeting is to consider the proposed bylaw amendment; and
2. contain, or be accompanied by, a copy or summary of the proposed bylaw amendment.

Section 10.7 Rules of Order.

The rules contained in the current edition of *Roberts Rules of Order Newly Revised* shall govern the cooperative in all cases to which they are applicable and in which they are not inconsistent with these bylaws and any special rules of order the cooperative may adopt.

Section 10.8 Governing Law.

These bylaws must be governed by, and interpreted under, the laws of the state of Texas.

Article 11 — 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.

Revised and Approved: 1st day of November 2020.