

Bylaws of Tri-County Electric Cooperative, Inc.

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Article 1 — Membership

Section 1.1 Member Requirements. Any person or entity with the capacity to enter into legally binding contracts will become a member of Tri-County Electric Cooperative, Inc. (hereinafter called the “Cooperative”) upon receipt of electric service from the Cooperative, provided that the following requirements have been met:

1. Agreed to be bound by the Cooperative’s membership application;
2. Agreed to comply with and be bound by the Cooperative’s , bylaws and all other governing documents as currently exist or as later adopted or amended;
3. Agreed to use and purchase within a reasonable time electric energy provided by the Cooperative;
4. Satisfied the requirements for Cooperative membership under the Law and the governing documents;
5. Paid the membership fee required to become a member of the Cooperative.

In compliance with applicable requirements for non-profit organizations, a member may not hold more than one membership in the Cooperative, except where the member is a party to a separate legal entity that holds a membership for a distinct business service. Memberships shall not be sold, purchased, assigned, disposed of, acquired, or otherwise transferred except as expressly provided in these bylaws.

Each member shall, upon request by the Cooperative, execute and deliver any grants of easement, right-of-way, or other property rights over, on, and under such lands owned, leased, or mortgaged by the member, and in accordance with such reasonable terms and conditions, as the Cooperative may require for the purpose of furnishing electric service to the member or to other members, or for the construction, operation, maintenance or relocation of the Cooperative’s electric facilities.

Section 1.2 Grant of Property Rights. As reasonably required by the cooperative, a member shall:

1. provide the cooperative safe, reliable, and timely access to or use of member property; and
2. pursuant to terms and conditions 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.

Section 1.3 Joint Membership. The term “member” as used in these bylaws are deemed to include legal spouses holding one joint membership and any provisions relating to the rights and liabilities of their one membership apply equally to each. These specified actions by or in respect of the holders of a membership are as follows:

1. the vote of either separately or both jointly shall constitute one joint vote;
2. a waiver of notice signed by either or both shall constitute a joint waiver.
3. notice of either shall constitute notice to both.

4. termination or withdrawal of either shall terminate the joint membership.
5. 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.
6. 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;
7. 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;

A. 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. Or

B. Terminating a Joint Membership.

Joint members shall notify the cooperative in writing of cessation of legal relationship. The membership status will be determined by the legal cessation documents.

8. either, but not both, may be elected or appointed as an officer or board member if both meet the qualifications of such office.

Section 1.4 Member Suspension. A member may be suspended for the following reasons:

1. As provided in the governing documents.
2. As determined for good cause.
3. The member is no longer qualified to be a member.
4. The member has not made a timely payment for an undisputed amount due to the cooperative.
5. The member violated or did not timely comply with the governing documents.
6. The member ceased using service.
7. The member requested suspension.

Upon a member's suspension, except for the cooperative's obligations to retire and pay capital credits or its obligations upon dissolution, the cooperative's responsibilities to the member end, and services may stop. The suspended member loses all rights under the governing documents, except the right to receive retired and paid capital credits and rights upon dissolution, but remains bound by any continuing obligations. A suspended member may not receive notice, nominate, vote, remove, demand, request, petition, consent, or otherwise act under the governing documents. Unless the cooperative determines otherwise, a member's suspension is lifted upon the member rectifying the suspension reason.

Section 1.5 Member Termination. Membership shall terminate upon a member's request, death, dissolution, cessation of existence, permanent discontinuance of service, or failure to comply with the governing documents. The death, withdrawal, or substitution of an owner, partner, or

member within an entity member, including a partnership, shall not, in itself, terminate the entity's membership; however, such persons and the entity remain liable for obligations incurred prior to such event. Termination shall not release any member from debts or liabilities owed to the Cooperative, nor relieve the Cooperative of obligations owed to the former member. After deducting all amounts due, the Cooperative shall return any remaining sum to the member in accordance with the governing documents.

Section 1.6 Property Interest of Members. Upon the dissolution of the Cooperative, after (a) all debts and liabilities of the Cooperative shall have been paid, (b) all capital furnished through patronage shall have been retired as provided in these bylaws, and (c) the amount of all other equities maintained in the names of members and former members have been paid; the remaining property and assets of the Cooperative shall be distributed among the members as of the date of the filing of the certificate of dissolution in the proportion which the aggregate patronage of each bears to the total patronage of all members as of the date of filing of the certificate of dissolution, to the extent practicable as determined by the Board, unless otherwise provided by Law.

Section 1.7 Annual Meetings. The cooperative may annually hold a meeting of the members as determined appropriate by the Board of Directors. The cooperative may require member registration to verify eligibility to participate and may implement procedures accordingly.

Section 1.8 Special Meetings.

Special meetings of the members may be called by a written request signed by a majority of the Board of Directors, by the board chair, or upon a written request signed by ten percent (10%) or more of all the members. Upon such call or request, it shall be the duty of the board secretary to cause notice of such meeting to be given as provided in these bylaws.

Special meetings shall be held at the date, time, and location stated in the notice of the meeting. If the special meeting is called for the purpose of removing a majority of the Board of Directors, the meeting shall be held in Parker County, Texas. If the special meeting is called for the purpose of removing fewer than a majority of directors, or for any other purpose, the meeting shall be held within a county served by the cooperative, as determined by the Board of Directors.

Section 1.9 Notice of Meetings.

As directed by the board chair, board secretary, or any other board officer or member properly calling the meeting, the cooperative shall deliver written notice of a meeting personally or by mail, either with or without other documents, to each member of record. 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 thirty (30) days, before the meeting. If mailed with first-class mail postage thereon prepaid, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the address as it appears on the records of the cooperative. Where allowed by law, notice will be given by electronic communication. The failure of any member to receive notice of any member meeting shall not invalidate any action taken at any such meeting.

Section 1.10 Member Quorum.

A. Quorum.

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

1. A majority of responses responding to mail-in ballot or electronic ballot as authorized by the Board of Directors; and
2. 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 1.11 Member Voting.

A. Voting Criteria.

A member who presents identification or proof of Cooperative membership as reasonably required by the Cooperative, and who is not suspended, may cast one (1) vote on any matter for which the member is entitled to vote. An individual voting on behalf of an entity member must provide evidence satisfactory to the Cooperative demonstrating authorization to act for that entity.

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. Tie-Votes.

In any election or situation in which a tie vote occurs, the tie-break shall be by lot.

Article 2 — Board of Directors

Section 2.1 Board of Directors Authority.

A. Authority

The business, affairs, and regulatory functions of the Cooperative shall be governed by a Board of Directors, which serve as the governing and regulatory authority of the Cooperative. The Board possesses and may exercise all powers and duties conferred by applicable law and these bylaws, including all authority necessary and appropriate to accomplish the purposes for which the Cooperative is organized. Acting collectively with all legal authority granted under the Texas Utilities Code and other applicable statutes, the Board of Directors may take such actions as it deems necessary to carry out the affairs of the Cooperative. The Board of

Directors has authority to adjust the number of directors by a two-thirds (2/3) vote of the Board.

B. Accounting System and Reports.

After the close of each fiscal year, the Board shall cause a complete audit of the accounts, books and financial condition of the cooperative, by a certified public accountant. A report of such audit shall be available to the members at the next following annual meeting.

Section 2.2 Board of Directors Composition and Terms

The Cooperative shall be served by not more than nine (9) nor less than three (3) directors unless otherwise enlarged or reduced by the Board. Directors serve for three-year overlapping terms in such a manner that approximately one-third of the Board is subject to election each year.

A director's term ends 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; and a successor director consents to being elected or appointed as a director.

Section 2.3 Director Qualifications.

A. General Director Qualifications.

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

1. Be a natural person and a citizen of the United States; be a member of Tri-County Electric Cooperative, Inc. receiving service at his/her primary residential abode, and reside within the district the director is elected to represent for a period of three (3) years;
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 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, nor have been so employed or interested within the five (5) years immediately before becoming a director, any competitive 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;

Close Relative. The term close relative means an individual who:

- a. 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; or

- b. Resides in the same residence.
 - c. 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.
 - 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; and
 - 10. To avoid potential conflicts of interest, no person shall take or hold any appointed or elected position of national, state, county or city public office, such as but not limited to: school board member, county commissioner, property zoning commission, or have done so within the past 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 in good standing of the cooperative, by having met and adhered to the payment history policies in accordance with the establishment of credit requirements contained in the cooperative's tariff.
 - b. Permanently reside or use electric energy provided by the cooperative, at the individual's principal residence as defined under federal tax law within the director district from which the director is nominated or elected.
 - c. Comply with election standards set forth for election to the Board of Directors.
 - 2. While a director and during the three (3) years immediately before becoming a director, a member must comply with all provisions of the cooperative bylaws.

Section 2.4 Director Elections.

A. 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 are elected by and from the members in their Director district, to serve until their successor shall have been elected and have qualified.

B. Director Election Timeline.

At least six (6) months before an annual meeting, a "Director Election Schedule and Election Procedures" shall be presented for review and approval by the Board of Directors. The Schedule shall include dates, deadlines, forms, and procedures for the director nomination and election process; and the recommended deadlines and manner of voting; as well as other relevant deadlines and requirements leading up to and including the cooperative annual meeting.

C. Credentials and Elections Committee

The Credentials and Elections Committee serve the membership by functioning as the screening process for members to seek election as a director. The committee serves two purposes: to 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 candidates (including the incumbent, if applicable) per eligible district for an upcoming election. Any director applicant who has been determined by the committee to qualify but is not nominated by the committee may choose to continue their election efforts through the member petition process.

D. Nomination to the Credentials and Elections Committee.

The Board shall annually nominate members to serve on the Credentials and Elections Committee. Members of the committee shall be members in good standing of the cooperative with voting residence in the director district in which they have been nominated to represent, 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 include at least one member from each director district unless a vacancy occurs after the committee's annual orientation. If a vacancy occurs on the committee prior to the committee's annual orientation, the Board shall appoint a replacement to the committee.

E. Credentials and Elections Committee Meetings.

The committee shall meet for the purpose of accepting and vetting written director candidate applications; and determining whether such applicants are qualified to be placed into nomination as director candidates and ranking qualified applicants for the districts scheduled for election. The committee shall conduct 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. 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.

F. Committee Presiding Officer and Committee Duties.

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

G. Director Applications.

Eligible members seeking nomination as a director shall file all required application materials by the deadline established in the most recent "Director Election Schedule", using forms

provided by the cooperative. Each applicant shall execute the consent forms for credit and criminal background checks and any other required election documents as may be deemed necessary. All applicants shall include the signatures of at least twenty-five (25) members with voting residence within the director district for which the applicant seeks election. Each applicant shall pay an application fee of one hundred fifty dollars (\$150.00) or other fee as determined by the Board.

H. Incumbent Director Candidates.

Incumbent directors shall be nominated for re-election upon timely submission of all required election materials and payments, provided the Credentials and Elections Committee determines the director continues to meet all qualifications for office under these bylaws.

The Credentials and Elections Committee shall not withhold nomination from an incumbent director except upon finding that the director no longer meets eligibility or qualification requirements established in these bylaws.

I. Nomination by Petition.

A member determined to be qualified but not nominated by the committee may seek nomination by petition by resubmitting all required election materials and submitting a petition containing an additional twenty-five (25) signatures, for a total of fifty (50) signatures, of members with voting residence in the district in which they seek election, by the deadline established in the election schedule. Each applicant seeking election by petition shall also pay an application fee of fifty dollars (\$50.00) or other fee as determined by the Board of Directors. This application fee is separate from the fee outlined in Section 4.4.E of these bylaws.

J. Declaration of Winners.

Directors shall be elected by members with voting residence in the Director district participating in the election process as authorized by the Board of Directors. The candidate receiving the highest number of votes from members voting within the Director district shall be elected at the next member meeting. Any unchallenged candidate shall be duly elected at the next member meeting without requiring balloting for the director position. The elected director's term begins immediately after adjournment of the meeting at which the director is elected or at the beginning of the first board meeting after a director is appointed; and after the elected director consents to being elected or appointed.

Section 2.5 Director Removal.

A. Director Removal By Membership Petition.

1. For a director for whom removal is requested, the members must first notify the Board chair or Board secretary the beginning date of the petition drive;
2. Then, within sixty (60) days, deliver to the Board chair 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 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.
 8. Board of Directors Action. Within thirty (30) days after the board chairman or board secretary receives a director removal petition:
 - a) The cooperative shall forward a copy of the director removal petition to the implicated director.
 - b) The implicated director shall not participate in discussion or deliberation of the Board on the matter until it is resolved; and
 - c) The Board shall meet to review the director removal petition and allow the implicated director to appear in person and/or by counsel.
 9. 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:
 - a) A purpose of the meeting is to consider removing a director.
 - b) Evidence must be presented, and a membership vote taken, regarding removing the director.
 10. 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.
- B. Director Removal 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 Chair 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 2.6 Director Vacancy due to resignation or removal.

A. Board Authority.

Except as otherwise provided in these bylaws:

1. Any vacant director position may be filled by an affirmative vote of the majority of remaining directors, or at the option of the directors, by special election of the members under the nominating and voting procedures set out in these bylaws at a regular or special meeting of members;
2. A director appointed by the Board, or elected by the members, to fill a vacant director position serves the unexpired director term of the vacant director position; and
3. An individual appointed or elected to fill a vacant director position must comply with all director qualifications.

- B. Other. If a director vacancy will occur at a later specified date, then the Board by appointment, or the members by special election, may fill the vacancy before the vacancy occurs and the new director takes office when the vacancy occurs.

Section 2.7 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.

B. Indemnification.

The cooperative shall indemnify present and former directors, board officers, including the President/CEO, financial auditor, and board attorney 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 2.8 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 any of the following:

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.

Section 2.9 Regular Board Meetings.

A. Regular Board Meetings of the Board of Directors.

The Board shall meet regularly, in accordance with a schedule established by the Board, at the dates, times, and venues determined by the Board. Regular meetings may be held monthly and shall follow the adopted schedule and agenda. Meetings may be conducted in person or by means of electronic communication technology that allows most directors to participate and be deemed present, without requiring in person attendance at a geographic location. Except as otherwise provided in these bylaws, the Board may hold regular board meetings without notice. For good cause, the board chair may change the date, time, or venue 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 2.10 Special Board Meetings.

The Board, the board chair, 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, venue, and purpose of the special board meeting.

A. Presiding Board 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, or 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.

B. Rules, Policies and Procedures.

The Board may establish 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 members.

Section 2.11 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 2.12 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. Describe the action taken.
2. Approved by the majority of directors participating.
3. Delivered to the cooperative; and
4. Included with the cooperative's board meeting minutes.

Section 2.13 Director Quorum and Voting.

A. Quorum.

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

B. Voting.

Only one vote may be cast by a director.

Section 2.14 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.

A. Board Chair.

The board chair shall be assisted by the President & Chief Executive Officer and shall preside at meetings of the Board of Directors; execute legal 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 perform all other duties incident to the office of board chairman and such other duties as may be prescribed by the Board.

B. Board Vice Chair.

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.

C. Board Secretary.

The board secretary shall be responsible for minutes of meetings of the Board of Directors; authenticating the cooperative's records; and in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the Board of Directors.

D. Board Treasurer.

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

Section 2.15 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 2.16 Board 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 2.17 Board Officer Standard of Conduct.

A. Duties.

A board 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 2.18 Indemnification.

A. Indemnification of Director or Board Officer.

The cooperative shall indemnify:

1. An individual who is or was a director or board officer, including the President/CEO.
2. An individual who, while a director or board officer is or was serving at the cooperative's request as a director or board officer 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 3 - Cooperative

Section 3.1 Capital Credits.

A. Patron.

The term patron means a member of the cooperative who is eligible to receive an allocation of capital credits as a result of the purchase of electric energy from the cooperative.

B. 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 patron's 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.

Section 3.2 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 3.3 Patronage Capital in Connection with Furnishing Electric Energy.

In the furnishing of electric energy, the cooperative's operations shall be so conducted that all patrons, members, and non-members alike, 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.

Section 3.4 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 3.5 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 3.6 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 3.7 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 are subject to a discount rate established by the Board of Directors.

Section 3.8 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. 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.

B. 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.

C. 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.

Section 3.9 Patron 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 3.10 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.

Section 3.11 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 3.12 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, or electronic ballot 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 3.13 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.

Section 3.14 Contracts.

Except as otherwise provided in these bylaws, the Board may authorize the President & Chief Executive Officer 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 3.15 Fiscal Year.

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

Section 3.16 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.

Article 4 – Bylaw Amendments and Rules

Section 4.1 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 at any regular or special meeting. 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 4.2 Rules of Order.

The rules contained in the current edition of Robert's 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 4.3 Governing Law.

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