

**BLUEBONNET ELECTRIC COOPERATIVE, INC.**

**BYLAWS**

**ARTICLE I**

**Members**

**Section 1. Qualifications and Obligations.** Any individual or entity with capacity to enter into legally binding contracts that agrees to or seeks to purchase electric energy and/or electric service or any other related service provided by the Cooperative within the Cooperative's Service Area ("Electric Service") may become a Member in the Cooperative by:

- (a) making application for membership;
- (b) agreeing to purchase Electric Service from the Cooperative as specified herein;
- (c) paying any initial fees or other amounts specified by the Cooperative's Tariff, rules or regulations; and
- (d) agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative and these Bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors. No individual or entity may own more than one (1) membership in the Cooperative.

**Section 2. Easements.** Each Member shall, without cost or expense to the Cooperative, and upon being requested so to do 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 the Member or other Members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities.

**Section 3. Joint Memberships.** Spouses may jointly become a Member and their application for joint membership may be accepted in accordance with the foregoing provision of this section, provided the spouses comply jointly with these Bylaws. Joint Members shall have a single vote for all matters subject to voting and only one but not both Joint Members may be eligible for nomination to serve as a Director where such service may overlap with that of their spouse. Other than a Joint Membership, no membership may be shared or held by more than one individual or entity simultaneously, though the rules and Tariff may allow multiple parties to guaranty payment on an account.

**Section 4. Membership Certificates.** Membership in the Cooperative shall be evidenced by a Certificate of Membership, which shall be in such form as determined by the Board of Directors and/or may appear on the Member's monthly bill.

**Section 5. Purchase of Electric Service.** Each Member shall, as soon as Electric Service shall be available, purchase from the Cooperative all such Electric Service and shall pay monthly at rates which shall from time to time be fixed by the Board of Directors in accordance with the Tariffs. It is expressly understood that amounts paid for Electric Service in excess of the cost of service are furnished by Members as capital and each Member shall be credited with the capital so furnished as provided in these Bylaws. Each Member shall pay to the Cooperative such minimum amount per month regardless of the amount of Electric Service consumed, as shall be fixed by the Board of Directors from time to time. Each Member shall also pay all amounts owed by the

Member to the Cooperative as and when the same shall become due and payable.

**Section 6. Non-liability for Debts of the Cooperative.** The private property of the Members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no Member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

**Section 7. Expulsion of Members.** The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the then current Directors, expel any Member who shall have violated or refused to comply with any of the provisions of the Tariff, Articles of Incorporation of the Cooperative or these Bylaws or any rules or regulations adopted from time to time by the Board of Directors. Any Member so expelled may be reinstated by the affirmative vote of not less than two-thirds (2/3) of the then current Directors. If an Expulsed Member is not reinstated by the Board, the individual or entity may elect to appeal the vote of the Directors to a majority vote of the Members at any Annual or Special Meeting of the Members. The action of the Members with respect to any such reinstatement shall be final.

**Section 8. Withdrawal of Membership.** Any Member may withdraw from membership upon payment in full of all debts and liabilities of such Member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe. The membership fee may be refunded to the member withdrawing from membership, upon payment of all his debts and liabilities to the Cooperative.

**Section 9. Transfer and Termination of Membership.**

(a) Membership in the Cooperative and the Membership Certificate representing same shall not be transferable, except as hereinafter otherwise provided.

Upon the death, cessation of existence, expulsion or withdrawal of a Member the membership of such Member shall terminate. Termination of membership in any manner shall not release the Member from the debts or liabilities to the Cooperative.

(b) When a membership is held jointly, upon legal termination of such marriage, the membership shall be deemed to be held solely by the spouse continuing to meet the membership requirements who presents his or her personal affidavit assuming the membership and responsibility of all debts and liabilities owed to the Cooperative or a court order of similar effect. A membership may be transferred by a Member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by such spouse jointly with the provision of subdivisions (b) and (c) of Section 1 of this Article. .

(c) When a membership is held jointly, upon the death, withdrawal or expulsion of either spouse, the surviving or remaining spouse may elect whether such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to that Member or whether a new membership shall be established. The estate of the deceased shall not be released from any and all debts or liabilities to the Cooperative.

**Section 10. Consumers on Lines Purchased.** Any consumer who is receiving Electric Service from any line or lines purchased by Bluebonnet Electric Cooperative, Inc., shall automatically, upon consummation of the purchase of said line or lines, become a Member of the Cooperative.

## **ARTICLE II**

### **Meetings of Members**

**Section 1. Annual Meeting.** The Annual Meeting of the Members shall be held

on the second Tuesday in May of each year, such meeting to be held at the building of the Bluebonnet Electric Cooperative, Inc., in Bastrop, Bastrop County, Texas, or any other place designated by the Board of Directors that is located in any county in the Cooperative's Service Area. The Annual Meeting shall be held for the purpose of electing Directors and transacting such other business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday, such meeting may be held on the next succeeding business day. If the election of Directors shall not be held on the day designated herein for any Annual Meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a Special Meeting of the Members as soon thereafter as conveniently may be called. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**Section 2. Special Meetings.** A Special Meeting of the Members may be called by the President, the Board of Directors, or a majority thereof or by a petition signed by at least ten percent (10%) of the Members. The Secretary shall cause notice of such meeting to be given as hereinafter provided. A Special Meeting of the Members may be held at any place designated by the Board of Directors in a county within the Cooperative's Service Area. .

**Section 3. Notice of Members' Meetings.** Written or printed notice of the place, day and hour of the Annual or Special meeting ("Member Meeting") and the purpose(s) of the Member Meeting shall be delivered to each Member not less than ten (10) days nor more than thirty (30) days prior to the date of the Member Meeting either personally, electronically, or by mail, by or at the direction of the President or the Secretary. In making such computation, the date of the meeting shall not be counted. Any such notice may be delivered by mail, electronically, included with member service billings, or

published in the Cooperative's monthly newsletter, Texas Co-op Power magazine and/or posted on the Cooperative's website. If mailed, 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 with postage thereon prepaid. The incidental and non-intended failure of any Member to receive a notice shall not invalidate any action which may be taken by the Members at any such Member Meeting, and the attendance of a Member at any Member Meeting shall constitute a waiver of notice unless such attendance shall be for the express purpose of objecting on the ground that the meeting shall not have been lawfully called or convened. Any Member attending for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the Member Meeting of his or her objection.

**Section 4. Member Meeting Quorum.** At least one percent (1%) of the Members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any Member Meeting, a majority of those present in person or represented by proxy may adjourn the meeting without further notice.

**Section 5. Voting.** Each Member shall be entitled to one (1) vote upon each matter submitted to a vote at a Member Meeting. At all Member Meetings at which a quorum is present, all questions shall be decided by a vote of a majority of the Members voting thereon in person or by proxy, except for Director elections as Directors may be elected by a plurality, and as otherwise provided by law, the Articles of Incorporation, or these Bylaws. In case of a tie vote where two or more Director Candidates receive the greatest and equal number of votes, a Special Meeting will be called within the next 30 days wherein the Members will vote on only those Director Candidates involved in such

tie.

**Section 6. Uncontested Director Elections.** In any year in which there is only one Director Candidate for a specific Director position, the General Counsel of the Cooperative may certify to the Board that the election for that Director is uncontested, and the Members shall have deemed to have elected the single Director Candidate by general consent. The Board may suspend distribution of the Official Ballots for a Director election that it has declared uncontested. The results of any election shall be made available to the Members.

**Section 7. Proxies.** At any Member Meeting, any Member may vote by proxy, but only if such proxy (a) is registered with the Cooperative at its principal office before 5:30 p.m. on the fifth business day next preceding the date of the Member Meeting by delivery to any one of the Cooperative's member service centers or by mail to the address designated on the proxy, (b) is executed by the Member in writing and designates the holder thereof who is a natural person or the Proxy Committee to cast his vote; (c) specifies the particular meeting at which it is to be voted, and (d) is dated not more than ninety (90) days prior to the date of such meeting; PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactory evidence. Memberships in the name of non-natural person Members may be voted by any natural person duly authorized by the Member and shall be bound by all provisions regarding proxies as stated in this Section.

Proxies may be solicited on behalf of the Proxy Committee of the Cooperative, and the entire cost of solicitation shall be borne by the Cooperative. The Cooperative may use its officers and employees to solicit proxies from the Members.

A Proxy may be undirected and/or unlimited as to the matters on which it is voted or it may be directed and/or restricted. A proxy containing no restrictions or directions shall be deemed unlimited and undirected.

In the event a Member executes two or more proxies for the same Member Meeting, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a Member at a Member Meeting shall entitle that Member to choose to revoke the applicable proxy executed for such Member Meeting. Should the Member choose to revoke the previously executed proxy, the Member shall be issued a ballot to cast at the Member Meeting.

**Section 8. Proxy Committee.** The Proxy Committee of the Cooperative shall consist of its Directors whose term is not up for election. It shall be the duty of the Committee to meet prior to any Member Meeting for which the Committee holds proxies to determine how such unlimited proxy votes will be cast. The unlimited and/or undirected proxy votes held by the Proxy Committee shall be cast proportionately as determined by a vote of the Proxy Committee. For example, if the Proxy Committee votes 4 in favor of one Director Candidate and 3 in favor of another, the first Director Candidate shall receive four sevenths ( $4/7$ ) of the unlimited/undirected proxies to be cast and the other Director Candidate shall receive three sevenths ( $3/7$ ).

The Proxy Committee shall designate one of its membership to cast its votes.

**Section 9. Order of Business.** The Board of Directors shall determine the agenda, program, or order of business for the Member Meeting. Except as otherwise provided by the Board of Directors, the Chairman of the Board shall preside at the Member Meeting and may exercise and take actions reasonably necessary for efficiently



and effectively conducting the Member Meeting. Members attending the Member Meeting, either in person or through proxy, may consider, vote or act only upon matters listed in the notice of the Member Meeting.

### **ARTICLE III**

#### **Directors**

**Section 1. General Powers.** The business and affairs of the Cooperative shall be managed by a Board of not less than three nor more than nine (9) directors which shall exercise all of the powers of the Cooperative, except as such are by law or by the Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the Members or otherwise delegated to the Chief Executive Officer.

**Section 2. Qualifications and Terms for Directors & Director Candidates:** Director Candidates shall be elected as Director to staggered terms of three (3) years. Three years shall be measured as the period from the date of the Director's election at an Annual Meeting until the adjournment of the Annual Meeting in the third year after such Director's election.

To be eligible for nomination to become a Director Candidate of the Cooperative or to remain a Director once elected, a person must meet the following qualifications:

1. Be twenty-one (21) years of age or older;
2. Be a natural person Member in good standing with the Cooperative by having met and adhered to the Cooperative's payment policies in the Tariff and any other requirements for membership in good standing as established by Board resolution. A Member is not in good standing with the Cooperative if the member is in violation of any provisions of Bluebonnet's

Charter, Tariffs or Bylaws or has a claim or litigation pending against the Cooperative;

3. While a Director and during the three (3) years immediately prior to becoming a Director, not have been an employee of the Cooperative or have a child (including step-children), grandchild, spouse, significant other, parent (including in-laws), grandparent, sibling (including step and half siblings), aunt, uncles, nieces, nephews, and anyone who resides with the Director who is or has been an employee of the Cooperative;
4. Not be or have been convicted of a misdemeanor involving moral turpitude or a felony pursuant to state or federal laws;
5. Has his or her primary residence for at least six months prior to becoming a Director in a county in the corresponding district that is served totally or partially by the Cooperative. The Member need not be a primary resident of the portion of the county in the corresponding district served by the Cooperative. Primary residence shall be determined based on factors including, but not limited to, real property rights, homestead exemption, electricity usage patterns, voter registration location, and address on a driver's license. The General Counsel shall make a fact determination of primary residence based on factors mentioned above and other applicable considerations. The Board shall serve as an arbiter of any disputes over primary residency;
6. While a Director and during the three (3) years immediately prior to becoming a Director, not in any way employed by or financially interested in a competing enterprise, or a business selling electric energy or service or

- electrical supplies to the Cooperative, or a business primarily engaged in selling electrical supplies or energy to the Members of the Cooperative;
7. Not be the incumbent of or candidate for an elected public office in connection with which a salary is paid;
  8. Act in good faith and represent the best interests of the Cooperative as a whole, representing all members on an impartial basis;
  9. Not be employed by another Director or be employed by an entity over which another Director exercises substantial control; and
  10. Is in compliance with these Bylaws, Board Policies, Articles of Incorporation, the Tariff and any other rules and regulations approved by the Board of Directors.

When a membership is held jointly by spouses, either one, but not both, may be elected a Director, provided, however, that neither one shall be eligible to become or remain a Director unless both shall meet the qualifications hereinabove set forth. Nothing in this section contained, shall or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

### **Section 3. Nominations for Director Candidate.**

- A. Petition.** A natural person Member meeting the qualifications for Director may be nominated for Director Candidate by a petition in the form promulgated by the Board of Directors (“Application for Nomination”) signed by 50 Members of the Cooperative residing within the Director District for which the Director Candidate is applying and election is being held. The Director Candidate shall attach biographical information to his/her Application for Nomination as well as a signed written consent for the search and release of his or her background

information. The Application for Nomination shall be available at all Member Service Centers and on the Cooperative's website. Said Application for Nomination must be filed in any Cooperative Member Service Center by 4:00 p.m. not less than ninety (90) days prior to the Annual Meeting.

**B. Filing Fee.** In lieu of petition, a natural person Member meeting the qualifications for Director may pay a filing fee of \$250.00 via certified funds payable to Bluebonnet Electric Cooperative and submit a written Application for Nomination in the form promulgated by the Board of Directors for a place on the ballot, and shall attach biographical information as well as a signed, written consent for the search and release of his or her background information. The Application for Nomination shall be available at all Member Service Centers and on the Cooperative's website. Said Application for Nomination and filing fee must be filed in any Cooperative Member Service Center by 4:00 p.m. not less than ninety (90) days prior to the Annual Meeting.

**C. Appointment of Committee.** If no Member is nominated by petition or filed a written application with payment of the filing fee provided above, and qualified as a Director Candidate in a district that is open for election before the February Regular Board Meeting, the Board of Directors shall, at the February Regular Board meeting, appoint a committee consisting of not less than five (5) nor more than eleven (11) Members, who shall be selected so as to give equitable representation of the committee to the geographical areas served or to be served by the Cooperative. No Officer, Director, or Related Person as defined in the Board Policy 203 shall be appointed a member of such committee. Upon appointment and at least 60 days before the Annual Meeting

the committee shall nominate at least one (1), but not more than three (3) candidates who meet the qualifications for being a Director and who are willing to run for election for each vacant seat of the Board. The committee shall report the nominees to the Board Secretary, including all information required to be submitted by the nominees nominated by petition.

The General Manager shall report the names of the Director Candidates by publication in the *Texas Co-op Power* magazine, by direct mailing to the membership and/or by other means as authorized by the Board.

The Secretary of the Cooperative shall mail with the notice of the Annual Meeting a biographical information of the Director Candidates, the seats up for election, and whether any of the Director Candidates are elected by general consent.

Notwithstanding anything in this section, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

**Section 4. Director/County Representation.** The Board of Directors shall divide the Cooperative's Service Area into seven (7) districts that represent the communities of interest, without limitation on the number of directors from any one county served by the Cooperative, and shall provide a map of the areas served by the Cooperative and designating the director districts and number of directors for each district. The Board shall review the Director Districts from time to time as they may deem to be necessary.

If there are two (2) or more vacancies to be filled from any particular district, the two (2) or more candidates receiving the highest number of votes shall be elected without runoff. If for any reason an election of directors shall not be held at an Annual Meeting, such election may be held at a subsequently held Special Member Meeting or next

Annual Meeting. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next Member Meeting at which a quorum is present.

**Section 5. Removal of Directors and Disqualification.**

**A. Removal by Members.** Any Member may bring one or more charges for cause against any one or more Directors and may request the removal of such Director(s) by reason thereof by filing with the Secretary such charges in writing together with a petition signed by not less than ten (10%) percent of the total Membership of the Cooperative, which petition calls for a Special Member Meeting, the stated purpose of which shall be to hear and act on such charges, and specifies the place, time and date thereof not less than forty (40) days after filing of such petition, or which requests that the matter be acted upon at the subsequent Annual Member Meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the Member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the Director(s) against whom such charge(s) is(are) being made. The petition shall be signed by each Member in the same name as he or she is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the Director(s) against whom the charge(s) has (have) been made, of the Member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the Members not less than ten (10) days

prior to the Member Meeting at which the matter will be acted upon; PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the Members filing one or more charges if twenty (20) or more Members file the same charge(s) against the same Director(s). Such Director(s) shall be informed in writing of the charges after they have been validly filed and at least thirty (30) days prior to the Member Meeting at which the charge(s) is (are) to be considered, and shall have an opportunity at the meeting to be heard in person by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the Member(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such Director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled as provided by these Bylaws. The question of the removal of a Director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise.

**B. Director Disqualification.** If a Director does not comply with any Director Qualification at the time of his or her most recent qualification to be placed on the ballot for election or was found by a vote of at least two thirds (2/3) of the other Directors to have breached a fiduciary duty or other legal duty that could be materially injurious to the Cooperative, then the Board of Directors may vote to request that the Director resign his or her position as Director or face removal of the Director. Prior to any such vote, the Board of Directors

shall notify the Director in writing of the basis for their request, and provide the Director an opportunity to comment regarding that request. The Director so notified shall have thirty (30) days to cure, comply or resign. If, thereafter, the remainder of Directors determines by at least two thirds (2/3) vote that the Director in question has refused to resign, failed to cure, and/or is not qualified to serve as a Director, they may direct the Cooperative to file an action in arbitration in accordance with the AAA to remove the Director. If such an arbitration is undertaken in accordance with the AAA, upon the arbitrator's finding that a Director is not qualified and/or that a Breach of Duty occurred, the Director shall be removed from office and that seat shall be treated as a Vacancy under these Bylaws. Such action does not affect the validity of any previous action by the Board.

**Section 6. Vacancies.** Vacancies occurring in the Board of Directors shall be filled by any of the following methods:

1. A majority vote of the remaining Directors pursuant to Board Policy and these bylaws; or
2. The Board of Directors may leave that seat unfilled until the next Annual Meeting, at which time the Members will elect a Director to fill the unexpired term of the Director's predecessor.

Directors thus elected shall serve out the unexpired term until their successors shall be qualified and elected.

**Section 7. Compensation.** Directors shall not receive any salary for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance may be allowed for attendance at each meeting of the Board of Directors, and



all other meetings that the Board of Directors deems important and of beneficial interest to have its Directors attend. Directors shall be provided accident and medical insurance as approved by the Board of Directors.

**Section 8. Rules and Regulations.** The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with the law, the Articles of Incorporation of the Cooperative or by these Bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

**Section 9. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system, which among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the National Rural Utilities Cooperative Finance Corporation (CFC). The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative and its subsidiaries as of the end of such fiscal year. A consolidated condensed audit report shall be submitted to the Members at the following Annual Meeting.

**Section 10. Indemnification of Officers and Directors, and Employees.**

- A.** To the fullest extent permitted by the laws of the State of Texas, a current or former Director, Officer, or employee of the Cooperative shall not be liable to the Cooperative or its Members for monetary damages for an act or omission in that person's performance of functions for the Cooperative.
- B.** The Cooperative shall indemnify and defend an Indemnitee against any and all claims, including the claims of third parties against the Indemnitee for acts done

in the capacity that established the person's status as an Indemnitee to the fullest extent permitted by law. In the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement as being for the best interests of the Cooperative. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Indemnitee may be entitled.

- C. The Cooperative may purchase and maintain insurance to cover the obligations of this section.

**Section 11. Effect of Amendment.** No amendment, modification or repeal of this Article or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Director or Officer of the Cooperative to be indemnified by the Cooperative, nor the obligation of the Cooperative to indemnify any such Director or Officer, under and in accordance with the provisions of the Article as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

## **ARTICLE IV**

### **Meetings of Directors**

**Section 1. Regular Meetings.** A regular meeting of the Board of Directors shall be held at 9:00 a.m. on the third Tuesday of each month at the headquarters building of the Cooperative in Bastrop, Bastrop County, Texas, or at such other time and place as may be designated by the Board of Directors. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

**Section 2. Special Meetings.** Special Meetings of the Board of Directors may be

called by the President or a majority of Directors. The person or persons authorized to call Special Meetings of the Board of Directors may fix the time and place for the holding of any Special Meeting of the Board of Directors called by them.

**Section 3. Notice.** Notice of the time, place, telephone conference call and purpose of any Special or Regular Meeting of the Board of Directors shall be given at least seventy two (72) hours previous thereto, by written notice, delivered personally, electronically or mailed, to each Director at his or her last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail so addressed, with postage thereon prepaid. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened. In an emergency or when there is an urgent necessity, the notice of a Regular or Special Meeting of the Board of Directors is sufficient if it is posted for at least two hours before the meeting is convened. An emergency or an urgent necessity exists only if immediate action is required because of a reasonably unforeseen circumstance.

**Section 4. Board Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the Directors is present at said meeting, a majority of the Directors present may adjourn the meeting without further notice.

**Section 5. Manner of Acting.** The act of the Majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless otherwise specified in these Bylaws.

## ARTICLE V

### Officers

**Section 1. Number.** The officers of the Cooperative shall be a President and Chairman of the Board, Vice President and Vice Chairman of the Board, Secretary/Treasurer, and Assistant Secretary/Treasurer (“Officers”).

**Section 2. Election and Term of Office.** The Officers shall be elected annually by and from the Board of Directors at the first Regular Board Meeting held after the Annual Meeting. Any Director desiring to serve as an Officer shall give written notice of the office for which he or she wishes to be considered to the General Counsel by May 31. Unless removed from office, each Officer shall hold office until the Regular Board Meeting held after the next succeeding Annual Meeting or until his successor shall have been duly elected and qualified. General Counsel shall be responsible for conducting the election and announcing the candidates for each officer position.

**Section 3. Officer Removal.** Any Officer or agent elected or appointed by the Board of Directors may be removed from their elected and/or appointed position by a two thirds (2/3) majority vote of the Board of Directors whenever in its judgment the best interests of the Cooperative will be served.

**Section 4. Officer Vacancies.** A vacancy in any officer position may be filled by a majority vote of the Board of Directors for the unexpired portion of the term.

**Section 5. President.** The President:

- a) shall be the principal executive officer of the Board and shall preside at all Member Meetings as well as Regular and Special Board Meetings;
- b) shall sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed,

except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

- c) in general shall perform all duties incidental to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

**Section 6. Vice-President.** The Vice-President, in the absence of the President, or in the event of his inability or refusal to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned by the Board of Directors.

**Section 7. Secretary/Treasurer.** The Secretary/Treasurer shall be responsible for the minutes of the Member Meetings and the Board of Directors Meetings; be responsible for ensuring the authentication of the Cooperative's records; and in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned by the Board of Directors. The Board of Directors may delegate any of these duties to a non-director Officer. The Secretary/Treasurer shall be released from any duties so delegated.

**Section 8. Assistant Secretary/Treasurer.** The Assistant Secretary/Treasurer, in the absence of the Secretary/Treasurer, or in the event of his inability or refusal to act, shall perform the duties of the Secretary/Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary/Treasurer and shall perform such other duties as from time to time may be assigned to him by the Board of

Directors.

**Section 9. General Manager and Chief Executive Officer.** The Board of Directors shall select a General Manager and Chief Executive Officer who shall perform such duties as the Board of Directors may from time to time vest in him.

**Section 10. Bonds of Directors, Officers and Employees.** The Cooperative may purchase a bond covering Directors, Officers and/or employees.

**Section 11. Reports.** The Officers of the Cooperative shall submit at each Annual Meeting of the Members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## **ARTICLE VI**

### **Contracts, Checks and Deposits**

**Section 1. Contracts.** Except as otherwise provided in these Bylaws, the Board of Directors may authorize any Officer or Officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and in behalf of the Cooperative, and such authority may be general or confined to specific instances.

**Section 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 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 of Directors.

**Section 3. Deposits; Investments.** All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

## **ARTICLE VII**

### **Nonprofit Operation**

**Section 1. Interest or Dividends on Capital Prohibited.** The Cooperative shall at all times be operated on a Cooperative nonprofit basis for the mutual benefit of its Members. No interest or dividends shall be paid or be payable by the Cooperative on any capital furnished by its Members.

**Section 2. Patronage Capital in Connection with Furnishing Electric Energy (“Patronage Business”).** In furnishing of Patronage Business, or other services, the Cooperative's operations shall be so conducted that all Members non-members alike (“patrons”), will through their patronage furnish Patronage Capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from Patronage Business in excess of costs and expenses properly chargeable against Patronage Business, hereinafter referred to as Margins. All such Margins from Patronage Business at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as Patronage Capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such margins. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year, but no later than eight and one-half months, notify each patron of the amount of capital so credited to his account. PROVIDED, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative

notifies all patrons of how each patron may compute and determine for himself the specific amount of capital so credited to him. All such amounts credited to the patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

If the costs and expenses exceed the amounts received and receivable from and directly related to the furnishing of electric energy, hereinafter referred to as "loss", then the Board of Directors shall have the authority under accepted accounting practices, loan covenants and tax law to prescribe the manner in which such loss shall be handled.

All other margins other than from Patronage Business may, in the discretion of the Board and insofar as permitted by law, be (a) notwithstanding any other provision of this Article VIII, used to offset any losses incurred during the current or any prior fiscal year, (b) used to establish reserves and other capital not assignable to the patrons prior to the dissolution of the Cooperative, and (c) to the extent not needed for these purposes, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative 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. The Board shall determine the method, basis, priority, and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. Notwithstanding any



other provision of these by-laws, the method, basis, priority, and order of retirement, if any, considered by the Board may, but is not required to, include the retirement of amounts furnished as capital at a discount.

No capital may be retired unless, after the proposed retirement, the Cooperative is compliant with the terms of any mortgage agreement, including but not limited to the National Rural Utilities Cooperative Finance Corporation (CFC) loan agreement.

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. Patrons at any time may assign their capital credits back to the Cooperative, and the Board of Directors is authorized, but not required, to negotiate capital credit settlement arrangements with bankrupt patrons, estates of deceased natural persons and/or inactive patrons.

Notwithstanding any other provisions of these Bylaws, the Board of Directors, at its sole discretion, shall have the power to negotiate capital credit settlement arrangements with estates of deceased natural persons and/or inactive patrons for the retirement of such capital prior to the time it would otherwise be retired under the provisions of these Bylaws. However, such settlements are solely at the discretion of the Board of Directors, must be requested in writing by the legal representatives of the inactive patron or of the estate of the deceased natural person, must be in accordance with the terms and conditions that the Board of Directors and the legal representatives of such patrons shall agree upon, and is prohibited if the financial condition of the Cooperative is impaired thereby.

The Cooperative shall have the right to offset the retirement approved by the Board of Directors for a patron against the debt owed to the Cooperative by such patron. The Cooperative, before retiring any capital credit of any patron's account, shall deduct from the retirement of capital credits any amount owed by such patron to the Cooperative. This provision shall apply to all retirements of capital credits.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

## **ARTICLE VIII**

### **Waiver of Notice**

Any Member or Director may waive any notice of meetings required to be given by these Bylaws, and attendance at any meeting shall constitute waiver of notice unless the person in attendance notifies the presiding officer before the meeting begins that no such waiver is intended.

## **ARTICLE IX**

### **Disposition and Pledging of Property;**

#### **Distribution of Surplus Assets on Dissolution**

**Section I. Disposition and Pledging of Property.** The Members of the Cooperative may, at a duly held Member Meeting, authorize the sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's

property and assets by the affirmative votes of a majority of the total members of the Cooperative. However, the Board of Directors, without authorization by the members, shall have full power and authority (1) to borrow moneys from any source and in such amounts as the Board may from time to time determine, (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefor, and (3) to sell, lease, lease-sell, exchange, transfer or otherwise dispose of merchandise, property no longer necessary or useful for the operation of the Cooperative., or less than a substantial portion of the Cooperative's property and assets. "Substantial portion" means ten (10%) percent or more of the Cooperative's total assets as reflected on its books at the time of the transaction.

**Section 2. Distribution of Surplus Assets on Dissolution.** Upon the Cooperative's dissolution, any assets remaining after (a) all liabilities or obligations of the Cooperative have been satisfied and discharged and (b) after all Capital Credits furnished through Patronage Capital shall have been paid without priority on a pro rata basis shall be distributed among the members and former members, to the extent practicable as determined by the Board of Directors, in proportion which the aggregate patronage of each bears to the total patronage of all members and former members; PROVIDED, HOWEVER, that if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

## **ARTICLE X**

### **Fiscal Year**

The fiscal year of the Cooperative shall begin on the first day of January of each

year and end on the thirty-first day of December of the same year.

## **ARTICLE XI**

### **Rules of Order**

Parliamentary procedure at all meetings Member and Regular or Special Board Meetings or any other meetings provided for in these Bylaws shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law, the Cooperative's Articles of Incorporation, or these Bylaws.

## **ARTICLE XII**

### **Seal**

The Corporate Seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Texas."

## **ARTICLE XIII**

### **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 Board Meeting.