

Bylaws of
Navasota Valley Electric Cooperative, Inc.

Franklin, Texas
(Amended March 20, 2025)

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**Bylaws of
Navasota Valley Electric Cooperative, Inc.
Franklin, Texas
(Amended March 20, 2025)**

**Article I
Membership**

Section 1.1. Eligibility. Any natural person, firm, association, legal entity, or body politic (each referred to as “Applicant”) that desires to purchase electric energy for delivery to any point in an area served by Navasota Valley Electric Cooperative, Inc. (the “Cooperative”) shall be eligible to become a Member (as defined in Section 1.5) of, and, at one or more premises owned or directly occupied or used by such Applicant, to receive electric service from the Cooperative. No Applicant or Member may hold more than one membership in the Cooperative (“Membership”).

Section 1.2. Application for Membership; Renewal of Prior Membership.

(a) New Membership. By submission of an application for Membership (“Membership Application”), the Applicant shall agree to the following:

(1) Purchase electric energy from Cooperative; and

(2) Be bound by and comply with all other provisions of Cooperative’s Articles of Incorporation, Bylaws, Tariffs, and all rules, regulations and rate schedules established pursuant thereto, as all the same then exist or may thereafter be duly adopted or amended (the “Membership Obligations”). Applicant shall execute a supplemental contract provided by the Cooperative for particular classifications of service as deemed required by the Board of Directors (the “Board”) (as defined in Section 4.1). The Membership Application shall be accompanied by the Membership Fee provided for in Section 1.3, together with any of the following: service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative (“Additional Fees”), which Membership Fee and Additional Fees, if any, shall be refunded in the event the Member Application is denied by Board resolution.

(b) Renewal of Prior Membership. Any former Member of the Cooperative, by paying a new Membership Fee and any outstanding account plus accrued interest thereon at the Texas legal rate on judgments in effect when such account first became overdue, compounded annually, together with any Additional Fees that may be required by the Cooperative, may renew and reactivate any prior Membership Application to the same effect as though the Membership Application had been newly made on the date of such payment and such former Member shall resume Membership Obligations as set forth in this Section 1.2 for a new Member.

Section 1.3. Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction. The membership fee (“Membership Fee”) shall be as fixed from time to time by the Board. The Membership Fee, together with any Additional Fees or any combination thereof, if required by the Cooperative, shall entitle the Member to one service

connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative, together with any Additional or any combination thereof, if required by the Cooperative, shall be paid by the Member for each additional service connection requested by the Applicant or Member.

Section 1.4. Joint Membership. In an Application for residential electric service, spouses who are natural persons in a marriage legally recognized in Texas, occupying the same residential location and who each qualify as a Member will be accepted into a Membership jointly (“Joint Membership”) or, if one spouse is already a Member, will automatically convert such Membership into a Joint Membership upon the joinder of the other spouse. Except for circumstances in which spouse(s) have a separate Membership for an entity or unless otherwise clearly distinguished in the text, all Bylaw provisions relating to the rights, powers, terms, conditions, obligations, responsibilities, and liabilities of Membership shall apply equally, severally and jointly to a Joint Membership, including the following:

(a) The presence at a meeting of either or both of such spouse(s) (“Joint Members”) shall constitute the presence of one Member and joint waiver of notice of the meeting;

(b) The vote of either or both Joint Members shall constitute, respectively, one joint vote; provided, however, that if both Joint Members are present but in disagreement on such vote, each Joint Member shall cast only one-half (1/2) vote;

(c) Notice to, or waiver of notice signed by, either or both Joint Members shall constitute, respectively, a joint notice of waiver of notice;

(d) Suspension or termination in any manner of either of the Joint Members shall constitute, respectively, suspension or termination of the Joint Membership, except as provided in Section 2.6;

(e) Either, but not both Joint Members concurrently, shall be eligible to serve as a Director (as defined in Section 3.1) of the Cooperative, but only if both of the Joint Members meet the required qualifications;

(f) Neither of the Joint Members will be permitted to have any additional service connections except through their one Joint Membership or as otherwise determined by the Board; and

(g) Joint Members shall notify the Cooperative in writing of a cessation of the legally-recognized marriage; and upon cessation of the legally-recognized marriage:

(1) if one Joint Member remains qualified to be a Member, and continues to use a Cooperative service at the same location, then the Joint Membership shall automatically convert to an individual Membership; or

(2) if no Joint Member remains qualified to be a Member to continue using a Cooperative service at the same location, then the Joint Membership shall automatically terminate.

Section 1.5. Acceptance into Membership. Upon complying with the requirements set forth in Section 1.2, any Applicant shall automatically become a member of the Cooperative (“Member”) on the date of the connection for electric service of the Applicant; provided, however, that the Board may by resolution deny any Membership Application and refuse to extend service upon its determination that the Applicant is not willing or is not able to satisfy and abide by the Cooperative’s terms and conditions of Membership or that such Membership Application should be denied for other good cause consistent with the Cooperative Rules and Regulations.

Section 1.6. Purchase of Electric Energy; Power Production by Member; Application of Payments to All Accounts. The Cooperative shall make all reasonable efforts to furnish its Members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof. Each Member shall:

(a) For so long as such premises are owned or directly occupied or used by such Member, purchase from the Cooperative all electric energy for use on all such premises to which electric service has been furnished by the Cooperative pursuant to the applicable policies, tariffs, rules and regulations of the Cooperative, unless and except to the extent that the Board may in writing waive such requirement, and except as may be otherwise permitted pursuant to the Cooperative’s Distributed Generation policies, tariffs, rules and regulations;

(b) Pay for such electric service purchased from the Cooperative at the times and in accordance with the policies, tariffs, rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric energy actually used) established by the Board, and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.2. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate policies, tariffs, rules and regulations as shall be fixed from time to time by the Cooperative; and

(c) Pay all other amounts owed by the Member to the Cooperative as and when such amounts become due and payable. When the Member has more than one service connection from the Cooperative, any payment by such Member for service from the Cooperative, shall be deemed to be allocated and credited on a pro rata basis to such Member’s outstanding accounts for all such service connections, notwithstanding that the Cooperative’s actual accounting procedures do not reflect such allocation and proration.

Section 1.7. Member-Furnished Capital. All amounts paid for electric service in excess of the cost thereof shall be furnished by Members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these Bylaws.

Section 1.8. Responsibilities for Wiring of Premises and Metering; and INDEMNIFICATION.

(a) Member Responsibility.

(1) Each Member shall cause all premises receiving electric service from the Cooperative to become and remain wired in accordance with the specifications of the National Electric Code, and applicable state code or local government ordinances, and of the Cooperative. **EACH MEMBER SHALL BE RESPONSIBLE FOR AND SHALL INDEMNIFY THE COOPERATIVE AND ITS EMPLOYEES, AGENTS AND INDEPENDENT CONTRACTORS AGAINST DEATH, INJURY, LOSS, OR DAMAGE RESULTING FROM NEGLIGENCE, OR OTHER ACTS OR OMISSIONS, OR ANY DEFECT IN OR IMPROPER USE OR MAINTENANCE OF SUCH PREMISES AND ALL ASSOCIATED OR CONNECTED WIRING AND APPARATUSES.**

(2) Each Member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each Member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use best efforts to prevent others from so doing.

(3) Each Member shall also provide such protective devices to the Member's premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the Member, or by any other person within the Member's reasonable care and surveillance should have prevented such, **THE MEMBER SHALL INDEMNIFY THE COOPERATIVE AND ITS EMPLOYEES, AGENTS AND INDEPENDENT CONTRACTORS AGAINST DEATH, INJURY, LOSS OR DAMAGE RESULTING FROM THE MEMBER'S NEGLIGENCE, OR OTHER ACTS OR OMISSIONS, INCLUDING BUT NOT LIMITED TO THE COOPERATIVE'S COST OF REPAIRING, REPLACING OR RELOCATING ANY SUCH FACILITIES AND ITS LOSS, IF ANY, OF REVENUES RESULTING FROM THE FAILURE OR DEFECTIVE FUNCTIONING OF ITS METERING EQUIPMENT.**

(b) Cooperative Responsibility. The Cooperative shall, however, in accordance with its applicable service rules and regulations, adjust the Member's account for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery, as determined by the Cooperative in its sole discretion. The Cooperative shall provide Cooperative services to Members in a reasonable manner. **THE COOPERATIVE, HOWEVER, DOES NOT INSURE, GUARANTEE, OR WARRANT THAT IT WILL PROVIDE ADEQUATE, CONTINUOUS, OR NON-FLUCTUATING ELECTRIC ENERGY OR OTHER COOPERATIVE SERVICE. THE COOPERATIVE IS NOT LIABLE FOR DAMAGES, COSTS, OR EXPENSES, INCLUDING ATTORNEY FEES OR LEGAL EXPENSES, CAUSED BY THE COOPERATIVE**

PROVIDING INADEQUATE, NON-CONTINUOUS, OR FLUCTUATING ELECTRIC ENERGY OR OTHER COOPERATIVE SERVICE, UNLESS THE DAMAGES, COSTS, OR EXPENSES ARE CAUSED BY THE COOPERATIVE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The Cooperative's responsibility and liability for providing a Cooperative service terminate upon delivery of the Cooperative service to a Member.

Section 1.9. Member to Grant Easements to Cooperative and Participate in Required Cooperative Load Management Programs.

(a) Each Member shall, upon the Cooperative's request, and without additional compensation from the Cooperative, execute and deliver to the Cooperative written easement(s) or right(s)-of-way on, over, across and under such lands owned by or mortgaged to the Member, in accordance with the reasonable terms and conditions of the Cooperative for the construction, operation, maintenance, improvement, upgrade and relocation of the Cooperative's electric facilities for electric service to such Member or other Cooperative Member, or to serve other purposes of the Cooperative.

(b) Each Member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy, or to conduct load research.

Article II
Membership Suspension and Termination

Section 2.1. Suspension; Reinstatement. Upon a Member's failure, after the expiration of the time periods prescribed either in a specific notice to such Member or in the Cooperative's rules and regulations, to pay any amounts due the Cooperative or to cease any other non-compliance with such Member's Membership Obligations, a Member's Membership shall be automatically suspended, and such Member shall not, during such suspension, be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the Members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, or cessation of any other non-compliance with such Member's Membership Obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the Member's Membership, in which event the Member shall thereafter be entitled to receive electric service from the Cooperative and to vote at meetings of the Cooperative's Members.

Section 2.2. Termination by Expulsion; Renewed Membership. Upon failure of a suspended Member to be automatically reinstated to Membership, as provided in Section 2.1, such Member may, without further notice, but only after due hearing if such is requested by said Member, be expelled by resolution of the Board at any subsequently held regular or special meeting of the Board. Any Member so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the Members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such Member's Membership shall be reinstated retroactively to the

date of his expulsion. After any finally effective expulsion of a Member, such expelled Member may not again become a member except upon a new Membership Application duly approved as provided in Section 1.5. The Board, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed Membership as it determines to be reasonably necessary to assure the Applicant's compliance with all Membership Obligations.

Section 2.3. Termination by Withdrawal or Resignation. A Member may withdraw from Membership upon such generally applicable conditions as the Board shall prescribe and upon either:

(a) Ceasing to own or directly occupy or use all premises being furnished electric service pursuant to the Member's Membership: or

(b) Except when the Board specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.

Section 2.4. Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners. Except as provided in Section 2.6, the death of an individual Member shall automatically terminate such Member's Membership. The cessation of the legal existence of any other type of Member shall automatically terminate such Membership; provided, however, that upon the dissolution for any reason of a Member that is a partnership, or upon the death, withdrawal or addition of any individual partner from such Member partnership, such Membership shall continue to be held by such remaining or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service by the Cooperative pursuant to such Membership in the same manner and to the same effect as though such Member's Membership had never been held by different partners; provided further, that neither a withdrawing partner nor said partner's estate shall be released from any debts then due the Cooperative.

Section 2.5. Effect of Termination. Upon the termination in any manner of a Member's Membership, such terminated Member or such terminated Member's estate, as the case may be, shall be entitled to a refund by the Cooperative of the terminated Member's Membership Fee (and to the terminated Member's service security deposit, if any, theretofore paid the Cooperative), less any amounts due the Cooperative, but neither the terminated Member nor the terminated Member's estate, as the case may be, shall be released from any debts or other obligations then remaining due to the Cooperative. Notwithstanding the suspension or expulsion of a Member, as provided for in Sections 2.1 and 2.2, such suspension or expulsion shall not, unless the Board shall expressly so elect, constitute such release of such Member from the Member's Membership Obligations as to entitle the Member to purchase from any other person any electric energy for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such Member's Membership.

Section 2.6. Effect of Death, Legal Separation, or Divorce upon a Joint Membership. Upon the death of either spouse of a Joint Membership, such Membership shall continue to be held solely by the surviving spouse, in the same manner and to the same effect as though such Membership had never been joint; provided, however, that the estate of the deceased spouse shall

not be released from any debts or obligations due the Cooperative on the date of death of the deceased spouse. Upon the legal separation or divorce of the spouses of a Joint Membership, such Membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such Membership in the same manner and to the same effect as though such Membership had never been joint; provided, however, that neither spouse shall be released from any debts or obligations due the Cooperative on the date of separation or divorce, and electric service to the premises may be terminated in accordance with the rules and regulations of the Cooperative, if any bills for electric service to the premises are unpaid.

Section 2.7. Board Acceptance of Members Retroactively. Upon discovery that the Cooperative has been furnishing electric service to any person or entity other than a Member, the Cooperative shall cease furnishing such service unless such person or entity applies for, and the Board approves, Membership retroactively to the date on which such person or entity first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct all related Membership records accordingly.

Article III Meetings of Members

Section 3.1. Annual Meeting. For the purposes of electing directors for the Board (“Director(s)”)(as further defined in Sections 4.1 and 4.2), receiving the certification of the election of Directors conducted by mail or electronic ballot (or as otherwise provided in Section 3.6), hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the Members (“Annual Meeting”) shall be held on a Saturday during the months of October or November each year, at such place in one of the counties in Texas within which the Cooperative is certified to render service, on such date and beginning at such hour, as the Board shall from year to year fix. It shall be the responsibility of the Board to make adequate plans and preparations for, and to encourage Member attendance at, the Annual Meeting. Failure to hold the Annual Meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative. Likewise, the Cooperative’s failure to hold an Annual Meeting or other Member meeting does not affect any action taken by the Cooperative.

Section 3.2. Special Meetings. A special meeting of the Members (“Special Meeting”) may be called: (1) by the President, (2) by resolution of the Board or a majority thereof, (3) by any three Directors upon written request to the Board signed by all requesting Directors, or (4) by petition signed by not less than ten (10%) percent of all Members and delivered to the Cooperative’s GM/CEO (as defined in Section 6.10). Thereafter, it shall be the duty of the Board Secretary to cause notice of the Special Meeting to be given as provided in Section 3.3. Such Special Meeting shall be held at a place in one of the Texas counties in which the Cooperative serves, at a specified time and date no sooner than forty (40) days after the call for such Special Meeting is made or petition filed.

Section 3.3. Notice of Member Meetings.

(a) Written or printed notice of the place, day and hour of the meeting, and in the case of an Annual or Special Meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each Member not earlier than thirty (30) days or later than ten (10) days before the date of such meeting, either personally or by mail, by or at the direction of the Board President or Secretary (and, in the case of a Special Meeting, at the direction of the person(s) calling the meeting). Any such notice delivered by mail may be included with Member service billings or as an integral part of or with the Cooperative's monthly newsletter.

(b) No matter which, as provided by law, or by the Cooperative's Articles of Incorporation or Bylaws, requires the affirmative votes of at least a majority of all the Cooperative's Members shall be acted upon at any meeting of the Members unless notice of such matter shall have been contained in the notice of the meeting.

(c) If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Cooperative, with postage thereon prepaid and postmarked at least ten (10) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted.

(d) Failure of any Member to receive a notice of an Annual or Special Meeting of the Members shall not invalidate any action, which may be taken by the Members at any such meeting.

(e) The attendance in person of a Member at any meeting of the Members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have lawfully called or convened. Any Member attending any meeting for the purpose of making such objection shall notify the Board Secretary prior to or at the beginning of the meeting of his objection.

Section 3.4. Record Date.

(a) A record date ("Record Date") is the date for determining the total number of Members of the Cooperative (the "Total Membership") and the Members entitled to: (1) sign a Member petition, request, demand, consent, appointment, or similar document; (2) receive a ballot, notice of an Annual or Special Meeting, or similar document; or (3) vote. If the Membership of a Member is terminated after the Record Date, then the member may not sign a document, receive a document, or vote.

(b) The Board may fix the Record Date, but the Record Date may be no earlier than the date on which the Board takes action to fix the Record Date and must not be more than sixty (60) days before the: (1) date the first Member signs a Member petition, request, demand, consent, appointment, or similar document; (2) date a ballot, notice, or similar document is due or required; or (3) date of an Annual or Special Meeting. If not otherwise provided by the Board, the Record

Date: (1) for signing a Member petition, request, demand, consent, appointment, or similar document is the date the Cooperative first receives the signed document; or (2) for receiving a ballot, notice, or similar document or for voting at an Annual or Special Meeting is the date on which the notice or request for such ballot, notice, or other document or the notice of such Member meeting was first given or effective in accordance with Section 3.3 of these Bylaws.

(c) The Record Date for determining the Total Membership and the Members entitled to notice of, or to vote at, an Annual or Special Meeting is effective for a Member meeting adjourned to a date not more than sixty (60) days after the Record Date for determining the Members entitled to notice of the original Member meeting.

Section 3.5. Quorum. Except as provided by Board resolution, no business may be transacted at any Annual or Special Meeting unless there are present at least one hundred fifty (150) Members as of the Record Date, represented by mail or electronic ballot (if voting by mail or electronic ballot is allowed at such meeting), or in person (if voting in person is allowed at such meeting), which shall constitute a quorum. If less than a quorum is present at any meeting, a majority of Members present in person may without further notice adjourn the meeting to another time and date not less than forty (40) days later and to any place in one of the counties in Texas within which the Cooperative serves; provided, however, that the Board Secretary shall notify any absent Members of the time, date, and place of such adjourned meeting by delivering notice thereof as provided in Section 3.3. Except as otherwise provided in these Bylaws, Members may not act without a Member meeting.

Section 3.6. Voting.

(a) Each Member shall be entitled to only one vote for each matter submitted to a Member vote, or in a Director election for each Director position submitted to those Members entitled to vote. A Member may be required to provide evidence of Membership in order to vote. To vote on behalf of a Member who is not a natural person, a natural person may be required to provide evidence requested by and satisfactory to the Cooperative that such person is authorized to vote on behalf of such Member. Each matter submitted to a vote at a meeting of the Members shall be decided by a vote of a majority of the Members, as provided by these Bylaws.

(b) A Member shall be deemed to have a voting residence ("Voting Residence") where a Member receives electric service from the Cooperative. A Member who receives electric service in more than one location may designate the Member's Voting Residence, but a Member may have only one Voting Residence.

(c) In conjunction with any Member vote, a Member as of the corresponding Record Date may vote only by mail ballot or electronic ballot, unless (i) the meeting concerns the removal of a Director for cause in accordance with Section 4.6 of these Bylaws, in which case there shall be voting in person only, or (ii) the Board determines by resolution to allow voting, either exclusively or in combination, in person, by mail ballot, or by electronic ballot. If the Board determines that one or more methods of voting in Section 3.6(c)(ii) are to be used, the Members shall be informed of the method(s) of voting to be used at the meeting. The Board may also specify that any voting in person for any matter, including the election of a Director, shall be by written ballot or oral vote. Voting by proxy shall not be allowed.

(d) In connection with any matter of business of the Cooperative, including the election of Directors, submitted to a vote at a meeting of the Members where the Members are required or allowed to vote by mail ballot, the Board shall cause written or printed mail ballots to be prepared and mailed to the Members (as of the Record Date) for their action. Ballots so mailed shall specify the Member meeting to which they correspond, list each issue or question submitted and, if Directors are to be elected, list the names of person(s) nominated for Directors, and each mail ballot shall contain and provide a place where the Member may indicate such Member's vote. Each Member shall be instructed that such Member's mail ballot must be received by 5:00 p.m. (local time) at the location determined by the Board or, if no such determination is made, at the Cooperative's principal office, at least five (5) days before the date of the meeting. If Members are also allowed to vote in person at the Member meeting to which such mail ballot corresponds, then Members submitting a completed mail ballot may not vote in person at such meeting regarding any matter described in such ballot. If voting by mail, each mail ballot shall be signed and mailed or delivered by hand or courier by the Member casting such ballot to the location determined by the Board or, if no such determination is made, to the Board Secretary at the Cooperative's principal office.

(e) In connection with any matter of business of the Cooperative, including the election of Directors, submitted to a vote at a meeting of the Members where the Members are allowed to vote by electronic ballot, the Board shall cause instructions on how to access and cast electronic ballots to be prepared and submitted to the Members (as of the Record Date) for their action. The electronic ballots shall specify the Member meeting to which they correspond, list each issue or question submitted and, if Directors are to be elected, list the names of person(s) nominated for Directors, and each electronic ballot shall contain and provide a place where the Member may indicate such Member's vote. Each Member shall be instructed that such Member's electronic ballot must be received by 5:00 p.m. (local time) at the location determined by the Board or, if no such determination is made, at the Cooperative's principal office, at least five (5) days before the date of the meeting. If Members are also allowed to vote in person at the Member meeting to which such electronic ballot corresponds, then Members submitting a completed electronic ballot may not vote in person at such meeting regarding any matter described in such ballot. If voting by electronic ballot, each electronic ballot shall be signed or similarly authenticated by the Member and submitted through the electronic system selected by the Board for the submission of such electronic ballots.

(f) For any Director election, the Board shall select or cause to be selected an independent election official or service provider ("Election Official") to organize, conduct, supervise, receive, validate, and count all mail and electronic ballots prior to the meeting of Members, and such Election Official shall certify as to the accuracy of all such counts.

Section 3.7. Order of Business.

(a) The order of business at the Annual Meeting and, insofar as practicable or desirable, at all other meetings of the Members shall be essentially as follows:

- (1) Report on the existence of a quorum;

(2) Reading of the notice of the meeting and proof of due giving of notice or the waiver of notice of the meeting, as applicable;

(3) Taking necessary action upon unapproved minutes of previous meetings of the Members;

(4) Presentation and consideration of reports of officers, Directors and committees;

(5) Announcement of the certified results of the Director election;

(6) Unfinished business;

(7) New business; and

(8) Adjournment.

(b) Notwithstanding the foregoing, the Board or the Members may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business; provided, however, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

Section 3.8. Conduct and Decorum at all Meetings. All Members attending any meeting of the Members or the Board described in these Bylaws shall comply with the conduct and decorum policy set forth in Board Policy No. 39 and any other applicable Board policy, resolution or directive.

Article IV Directors

Section 4.1. Number and General Powers. The business and affairs of the Cooperative shall be managed by a Board consisting of nine (9) Directors, or under the authority and subject to the Board's direction and oversight. The Board shall exercise all powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the Members and such as the Board may delegate to or authorize to be performed by the Cooperative's management and employees.

Section 4.2. Qualifications.

(a) No person shall be eligible to be nominated for election as, or to become, a Director of the Cooperative who:

(1) is not a Member of the Cooperative; or

(2) has (or is a Joint Member with a person who has) one or more accounts with the Cooperative or its affiliates that are not in good financial standing, or has (or is a Joint Member with a person who has) a controlling interest in another person that has one or more accounts with the Cooperative or its affiliates that are not in good financial standing; or

(3) has not been a Member of the Cooperative for the period of twenty-four (24) consecutive months immediately prior to election; or

(4) is not receiving electric service from the Cooperative at the Member's principal place of residence; or

(5) has not maintained a principal place of residence in the Directorate District (as defined in Section 4.4) that the person represents or would represent as a Director for the period of twenty-four (24) consecutive months immediately prior to election; or

(6) is in any way employed or financially interested, directly or indirectly, in a competing enterprise or a business selling electric energy or supplies or other services to the Cooperative or any of its affiliates (except that no such disabling financial interest shall be deemed to exist merely because the person beneficially owns, as a passive investor, less than five percent (5%) of a class of stock or other equity interest that is publicly traded); or

(7) has been convicted of a felony or has pled guilty to a felony; or

(8) if such person has been or is already a Director of the Cooperative, has been absent from three (3) consecutive Board meetings (regular or special) or absent from more than one-half of the Board meetings (regular or special) in any six (6) consecutive-month period. The Board may, for good cause, excuse any absence and if excused, such absence shall not affect the Director's eligibility to be nominated or elected again; or

(9) has (or is a Joint Member with a person who has) been an employee, or has (or is a Joint Member with a person who has) worked as an independent contractor or an employee of an independent contractor, of the Cooperative or any of its affiliates during the three (3) year period immediately prior to election; or

(10) is not a natural person; or

(11) except as otherwise determined by the Board, is the subject of a final and non-appealable judgment in a civil action or an arbitration on the grounds of fraud, deceit or misrepresentation; or

(12) is a Close Relative (as defined in Section 4.2(b)) of a Cooperative Director, Officer, or employee; or

(13) during the one (1) year period immediately prior to election, receives, or has a Close Relative or an affiliate that receives, more than ten percent (10%) of his or her annual gross income, other than insurance or medical benefits or Director compensation income, directly or

indirectly from the Cooperative or any of its affiliates; or

(14) is employed by another Director or is employed by, or receives more than ten percent (10%) of his or her annual gross income from, an entity which another Director controls (including as a director, manager, general partner, or officer) or of which another Director owns more than ten percent (10%); or

(15) is not a citizen of the United States of America.

(b) For purposes of these Bylaws, the term close relative (“Close Relative”) means an individual who (1) through blood, law, or marriage, is a spouse, child, stepchild, father, stepfather, mother, stepmother, brother, stepbrother, half-brother, sister, stepsister, half-sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, or daughter-in-law, or (2) resides in the same residence. An individual qualified and elected as a Director does not become a Close Relative while serving as a Director because of a marriage or legal action to which the individual was not a party.

(c) Upon establishment of the fact that an elected Director was not qualified at the time of his or her election to be elected in accordance with the preceding provisions of this Section 4.2, the Board shall remove such Director from such position. If, after his or her election, it is established that a Director has become subject to any disqualification described above in this Section 4.2 (and, for the purposes of subsections (a)(10) and (14) above, without reference to any time period stated in such subsections), the Board shall remove such Director from such position.

(d) The fact that any Director was not qualified to be elected in accordance with, or (after election) becomes subject to any of the disqualifications described in the preceding provisions of this Section 4.2 shall not affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

Section 4.3. Election and Tenure.

(a) In conjunction with each Annual Meeting, Directors shall be elected by a majority vote of the Members at large at the Annual Meeting, as provided by the Cooperative’s Articles of Incorporation and Bylaws.

(b) Directors shall be so nominated and elected that one Director from each of nine (9) Directorate Districts shall be elected for three-year terms at the Annual Meeting. The terms of the nine (9) Directors shall be staggered so that there shall be three (3) Director terms renewed or vacancies filled each successive year for a term of three (3) years.

(c) Upon their election, Directors shall, subject to the provisions of these Bylaws with respect to the removal of Directors, serve until the Annual Meeting of the year in which their respective terms expire or until their successors shall have been elected and shall have qualified. If for any reason an election of Directors shall not be held at an Annual Meeting duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held Special Meeting or the next Annual Meeting. Failure of an election for a

given year shall allow the incumbent Directors whose directorships would have been voted on to hold over only until the next Member meeting at which a quorum is present.

Section 4.4. Directorate Districts.

(a) The territory served by the Cooperative shall be divided into nine (9) districts ("Directorate Districts"). Each Directorate District shall be represented by one Director.

(b) Not less often than every five (5) years, and not less than ninety (90) days prior to the first date on which the Annual Meeting may be scheduled pursuant to these Bylaws, the Board shall review the Directorate Districts. If the Board determines that the districts should be altered as to boundaries to correct substantially inequitable factors regarding the residence of Members or the geographic location of districts, then the Board shall appropriately alter such district boundaries, and amend these Bylaws per Article XII if necessary, giving due consideration to the equality of the representation of the Members of the Cooperative. The Board shall cause all such district alterations and any Bylaw amendment to be noticed in writing by mail or electronic means to the Members, and by posting in the Cooperative's headquarters offices, not less than ten (10) days prior to the date on which the Committee (as defined in Section 4.5) for the next Annual Meeting shall first convene.

(c) After the date of the notice of Directorate District alterations and any Bylaw amendments, such alterations and amendments shall be effective, accordingly; provided, however, that no such alteration or amendment shall cause the vacancy of any Director's office prior to the time such Director's term would normally expire, unless such Director consents thereto in writing.

Section 4.5. Nominations.

(a) Not less than sixty (60) days prior to the date of an Annual Meeting, the Board shall appoint a nominations committee ("Committee") consisting of not less than five (5) nor more than eleven (11) Members who are not existing Cooperative employees, agents, officers, Directors, or known candidates for Director, who are not Close Relatives or members of the same household of such existing employees, agents, officers, Directors, or known candidates for Director, and who are selected from different geographical sections so as to ensure equitable representation, including at least three (3) Members from the Directorate Districts to be filled at the election.

(b) The Committee shall prepare and post at the principal office of the Cooperative at least forty-five (45) days prior to the Annual Meeting a list of nominations for Directors to be elected, listing separately the nominee(s) for each Directorate District from which a Director must be elected at the Annual Meeting. The Committee may include as many nominees for any Director to be elected from a given Directorate District as it deems desirable.

(c) Any fifteen (15) or more Members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, not less than forty (40) days prior to the Annual Meeting, and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted.

(d) The Secretary shall mail to the Members with the notice of the Annual Meeting, or separately, but at least twenty-five (25) days prior to the date of the Annual Meeting, a statement of the names and addresses of all nominee(s) for each Directorate District from which one or more Directors must be elected, showing clearly those nominated by the Committee and those nominated by petitions, if any.

(e) At such Annual Meeting, all nominations so made shall be duly announced, and no further nominations shall be made or taken from the floor. Likewise, at each Annual Meeting, the certified results of the Director election shall be announced by the Board President, in accordance with Sections 3.6 and 3.7. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect, in any manner, the validity of any action taken by the Board after the election of Directors.

Section 4.6. Removal of Directors by Members.

(a) 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 Charge(s) 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, if one or more Directors are recalled, to elect their successor(s) 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 Meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition.

(b) 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 is billed by the Cooperative and shall state the signatory's address as the same appears on such billings.

(c) Notice of such charge(s) verbatim, of the Director(s) against whom the charge(s) have been made, of the Member(s) filing the charge(s) verbatim, of the Director(s) against whom the charge(s) 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 notice to the Members no less than ten (10) days prior to the Member meeting at which the matter will be acted upon; provided, however, 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).

(d) Such Director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the Members at which the charge(s) 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 person(s) bringing the charge(s) shall have the same opportunity, but must be heard first.

(e) 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 by vote of the Members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor; provided, however, that 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 such Director shall have been presented during the meeting through oral statements, documents, or otherwise.

(f) A newly elected Director shall be from the same Directorate District as was the Director whose office such Director succeeds and shall serve the unexpired portion of the removed Director's term.

Section 4.7. Vacancies. Subject to the provision of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the Members, a vacancy occurring in the Board shall be filled by the Board. A Director thus elected shall serve out the term of the Director whose office was originally vacated and until a successor is elected and qualified; provided, however, that such a Director shall be from the same Directorate District as was the Director whose office was vacated.

Section 4.8. Compensation and Expenses.

(a) As determined by resolution of the Board, Directors shall receive a fixed fee on a per diem basis, which may include insurance benefits, for: (1) attending meetings of the Board and, when such has had prior approval of the Board, and (2) the performance of other Cooperative business. The fee fixed for attending Board meetings need not be the same as the fee or fees fixed for performing other Cooperative business. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses necessarily and reasonable incurred in attending such meetings and performing such business.

(b) No Director shall receive compensation for service to the Cooperative in any other capacity, nor shall any Close Relative of a Director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by the Board upon their certification of such as an emergency measure; provided, however, that a Director who is also an Officer of the Board, and who as such Officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board.

Section 4.9. Rules, Regulations, Rate Schedules, and Contracts. The Board shall have power to make, adopt, amend, abolish, and promulgate such rules, regulations, rate schedules, contracts, security deposits, and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

Section 4.10. Accounting System Reports. The Board shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition,

and shall, after the close of each fiscal year, cause to be made a full, complete, and independent audit of the Cooperative's accounts, books, and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding Annual Meeting. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

Article V

Meetings of Directors

Section 5.1. Regular Meetings.

(a) A regular meeting of the Board shall be held, without notice, immediately after the adjournment of the Annual Meeting, or as soon thereafter as conveniently may be, at such site as designated by the Board prior to the Annual Meeting.

(b) A regular meeting of the Board shall also be held monthly at such date, time, and place in one of the counties in Texas within which the Cooperative serves, as the Board shall provide by resolution. Such regular, monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; provided, however, that any Director absent from any meeting of the Board at which such a resolution initially determines or makes any change in the date, time, or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board; and provided further, that, if a policy therefor is established by the Board, the President may change the date, time, or place of a regular monthly meeting for good cause and upon not less than five (5) days' notice thereof to all Directors.

(c) 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 (2) evidenced by one or more written consents ("Director Written Consent"): (A) describing the action taken; (B) signed by each Director; and (C) included with the Cooperative's Board meeting minutes. Except as a different effective date is provided in the Director Written Consent, action taken by Director Written Consent is effective when the last Director signs the Director Written Consent. A Director Written Consent has the effect of, and may be described as, a Board meeting vote.

Section 5.2. Special Meetings. Special meetings of the Board may be called by the President, Board resolution, or by any three (3) Directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as provided in Section 5.3. The Board, the President, or the Directors calling the meeting shall fix the date, time, and place for the meeting, which shall be held in one of the counties in Texas within which the Cooperative serves, unless all Directors consent to its being held in some other place in Texas or elsewhere. Special meetings, upon proper notice as otherwise provided in Section 5.3, may also be held via telephone conference call, without regard to the actual location of the Directors at the time of such a telephone conference meeting, if all the Directors consent thereto.

Section 5.3. Notice of Directors Meetings. Written notice of the date, time, place (or telephone conference call), and purpose of purposes of any special meeting of the Board and, when the business to be transacted shall require such, of any regular meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, by those calling it in the case of a special meeting or by any Director in the case of a meeting whose date, time, and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

Section 5.4. Quorum. The presence in person of a majority of the Directors in office shall be required for the transaction of business and the affirmative votes of a majority of the Directors present shall be required for any action to be taken; provided, however, that a Director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Directors in office or present; and provided further, that, if less than a quorum be present at a meeting, a majority of the Directors present may adjourn the meeting from time to time, but shall cause the absent Directors to be duly and timely notified of the date, time, and place of such adjourned meeting.

Article VI Officers

Section 6.1. Number and Titles. The officers of the Board and the Cooperative ("Officers") shall be a President, Vice President, Secretary, and Treasurer. The offices of Secretary and Treasurer may be held by the same natural person. The Board may approve the creation of other offices for employees, with such title, tenure, and responsibilities as deemed appropriate, to serve as officers of the Cooperative under the authority of the GM/CEO (as defined in Section 6.10), as provided by Section 6.10(d).

Section 6.2. Election and Term of Office.

(a) The Officers named in Section 6.1 shall be elected by secret written ballot, if requested, or by oral vote, annually and without prior nomination, by and from the Board at the first meeting of the Board held after the Annual Meeting. If the election of such Officers cannot be held at such meeting, it shall be held as soon thereafter as reasonably possible.

(b) Each such Officer shall hold office until the meeting of the Board first held after the next succeeding Annual Meeting or until a successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of Directors by Members and the removal of Officers by the Board.

Section 6.3. Removal of Officer. Any Officer, agent, or employee elected or appointed by the Board may be removed by the Board whenever, in its judgment, the best interests of the Cooperative will be served.

Section 6.4. Vacancies. A vacancy in any office elected or appointed by the Board shall be filled by the Board for the unexpired portion of the term.

Section 6.5. President. Except as otherwise provided or delegated by the Board or these Bylaws, the President shall:

(a) be the principal executive officer of the Cooperative and shall preside at all meetings of the Board, and, unless determined otherwise by the Board, at all meetings of the Members;

(b) sign, with the Secretary, certificates of Membership the issue of which shall have been authorized by resolution of the Board, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other Officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

(c) in general, perform all duties incident to the office of President and such other duties as from time to time may be prescribed or delegated by the Board.

Section 6.6. Vice President. Except as otherwise provided or delegated by the Board or these Bylaws, the Vice President shall:

(a) perform the duties of the President in the absence of the President, or in the event of the President's inability or refusal to act; and when so acting, shall have all the powers of and be subject to all the restrictions upon the President; and

(b) perform such other duties as from time to time may be assigned or delegated by the Board.

Section 6.7. Secretary. Except as otherwise provided or delegated by the Board or these Bylaws, the Secretary shall:

(a) keep, or cause to be kept, the minutes of meetings of the Members and of the Board in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of Membership prior to the issue thereof

and to all documents the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provision of these Bylaws or is required by law;

(d) keep, or cause to be kept, a register of the name and post office address of each Member, which shall be furnished to the Cooperative by such Member;

(e) sign, with the President, certificates of Membership the issue of which shall have been authorized by resolution of the Board;

(f) have general charge of the books of the Cooperative in which a record of the Members is kept;

(g) keep on file, at all times, a complete copy of the Cooperative's Articles of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any Member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any Member; and

(h) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned or delegated by the Board.

Section 6.8. Treasurer. Except as otherwise provided or delegated by the Board or these Bylaws, the Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative;

(b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank of banks or in such financial institutions or securities as shall be selected in accordance with the provision of these Bylaws; and

(c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned or delegated by the Board.

Section 6.9. Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and the Treasurer, as provided in Sections 6.7 and 6.8, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such Officer's duties to one or more agents, or other officers or employees of the Cooperative who are not Directors. To the extent that the Board does so delegate with respect to any such Officer, that Officer as such shall be released from such duties, responsibilities, and authorities.

Section 6.10. General Manager/Chief Executive Officer. The Board shall select and appoint a general manager who shall perform the duties of chief executive officer and serve as the General Manager/Chief Executive Officer of the Cooperative ("GM/CEO"). The GM/CEO may

be, but shall not be required to be, a member of the Cooperative, and except as otherwise provided or delegated by the Board or these Bylaws, shall:

- (a) not be a Director, but shall be an officer and employee of the Cooperative;
- (b) be responsible for managing the day-to-day operations of the Cooperative;
- (c) sign a document properly authorized or approved by the Board on the Cooperative's behalf;
- (d) with the Board's approval, create other offices, and appoint, retain, or employ other officers to carry out the day-to-day operations of the Cooperative or to assist the Officers in performing their responsibilities; and
- (e) perform all other duties, have all other responsibilities, and exercise all authority prescribed by the Board.

Section 6.11. Bonds. The Board shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent, or employee of the Cooperative to give bond in such amount and with such surety as it shall determine. The costs of all such bonds shall be borne by the Cooperative.

Section 6.12. Compensation; INDEMNIFICATION. The compensation of Cooperative employees, and any other officers or agents shall be fixed or approved by the Board. **THE COOPERATIVE SHALL INDEMNIFY PRESENT AND FORMER DIRECTORS, OFFICERS, INCLUDING THE GM/CEO, AGENTS AND EMPLOYEES AGAINST LIABILITY TO THE EXTENT THAT THEIR ACTS OR OMISSIONS CONSTITUTING THE GROUNDS FOR ALLEGED LIABILITY WERE PERFORMED IN THEIR OFFICIAL CAPACITY, AND IF ACTIONABLE AT ALL, WERE BASED UPON GOOD FAITH BUSINESS JUDGMENTS IN THE BELIEF THAT 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 6.13. Reports. The Officers and the GM/CEO shall submit at each Annual Meeting 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 VII

Contracts, Checks, and Deposits

Section 7.1. Contracts. Except as otherwise provided by law or these Bylaws, the Board may authorize any Cooperative Officer, or other officer, agent, or employee to enter into any

contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 7.2. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, and all notes, bonds, or other evidence of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such Officer, or other officer, agent, or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

Section 7.3. 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 may select.

Article VIII Membership Certificates

Section 8.1. Certificate of Membership. Membership in the Cooperative shall be evidenced by a certificate of membership ("Certificate of Membership"), which shall be in such form and shall contain such provisions as shall be determined by the Board not contrary to, or inconsistent with, the Cooperative's Articles of Incorporation or Bylaws. Such Certificate of Membership shall be signed by the President and Secretary, and the seal shall be affixed thereto; provided, however, that the seal and the signatures of the President and Secretary may be imprinted thereon.

Section 8.2. Issue of Certificates of Membership. No Certificate of Membership shall be issued for less than the Membership Fee fixed by the Board, nor until such Membership Fee and any required Additional Fees have been fully paid.

Section 8.3. Lost Certificate. In a case of a lost, destroyed, or mutilated certificate, a new Certificate of Membership may be issued upon such terms and such indemnity to the Cooperative as the Board may prescribe.

Article IX Nonprofit Operation

Section 9.1. Nonprofit and Cooperative Operation. The Cooperative shall operate on a nonprofit and cooperative basis for the mutual benefit of all Members, and may not pay interest or dividends on capital furnished by Members.

Section 9.2. Definition of Patron. In this Article IX, the term patron ("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, as provided in Article I.

Section 9.3. Patronage Capital in Connection with Furnishing Electric Energy.

(a) In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all Patrons will, through their patronage, furnish capital for the Cooperative.

(b) 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 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.

(1) All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the Patrons as capital.

(2) The Cooperative is obligated to pay by credits to a capital account for each Patron all such amounts in excess of operating costs and expenses.

(3) 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.

(c) The Cooperative shall within a reasonable time after the close of the fiscal year notify each Patron of the amount of capital so credited to each Patron's account; provided, however, that individual notices of such amounts furnished to each Patron shall not be required if the Cooperative notifies all Patrons of the aggregate amount of such excess and provides a clear explanation of how each Patron may compute and determine the specific amount of capital so credited to such Patron.

(d) All such amounts credited to the capital account of any Patron shall have the same status as though the amounts 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.

(e) All other amounts received by the Cooperative from its operations in excess of costs and expenses, insofar as permitted by law, shall be:

(1) used to offset any losses incurred during the current or any prior fiscal year; and

(2) to the extent not needed for the purpose, allocated to its Patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of Patrons, as herein provided.

(f) 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; provided, however, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were Patrons during the

period the asset was owned by the Cooperative in proportion to the amount of business done by such Patron during that period, insofar as is practicable, as determined by the Board before any payments are made on account of property rights of Members.

(g) If, at any time prior to dissolution or liquidation, the Board 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 retirement and payment of capital credits are at 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.

(h) Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired; provided, however, that the Board shall have the power to adopt rules providing for the separated retirement of that portion (power supply or other service or supply portion) of capital credited to the accounts of Patrons which correspond to the capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative.

(i) Such rules shall:

(1) establish a method for determining the portion of such capital credited to each Patron for each applicable fiscal year;

(2) provide for separate identification of the Cooperative's books of such portions of capital credited to Patrons;

(3) provide for appropriate notification to Patrons with respect to such portions of capital credited to their accounts; and

(4) preclude a general retirement of such portions of capital credited to Patrons for any fiscal year prior to the general retirement of other capital credited to Patrons for the same year or of any capital credited to Patrons for any prior fiscal year.

(j) Capital credited to the account of each Patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such Patron's premises served by the Cooperative, unless the Board, acting under policies of general application, shall determine otherwise.

(k) Notwithstanding any other provisions of these Bylaws, the Board shall, in its sole discretion, have the power at any time to make special retirement of capital credits upon the death of any Patron who was a natural person (or as provided in the preceding paragraph upon the death of an assignee of the capital credits of a Patron, which assignee was a natural person), if the legal representatives of such Patron's estate shall request in writing that the capital so credited or assigned be retired prior to the time such capital would otherwise be retired under the provisions

of the Bylaws. The payment of specially retired capital credits shall be upon such terms and conditions as the Board determines, including the discounting of such payment for early retirement; provided, however, that the financial condition of the Cooperative shall not be impaired. Payment of any specially retired capital credits may be discounted, paid in lump sum, or paid in installments as determined by the Board.

(l) The Cooperative, before retiring any capital credited to any Patron's account, shall deduct therefrom any amount owing by such Patron to the Cooperative, together with interest thereon at the Texas legal rate of judgments in effect when such amount became overdue, compounded annually.

(m) 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.

Section 9.4. Patronage Refunds in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amount received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those Patrons from whom such amounts were obtained at such time and in such order of priority as the Board shall determine.

Section 9.5. Members Current Addresses; Contributions to Capital.

(a) All Patrons to whom capital credits have been allocated shall keep the Cooperative informed of their current mailing addresses in order that the Cooperative may retire or refund capital credits, Membership fees, deposits, and any other amounts to such persons in accordance with the Bylaws.

(b) If prior to retirement of capital as approved by the Bylaws, a Patron ceases to be a Member of the Cooperative and such Patron's existence and whereabouts are unknown to the Cooperative for period of five (5) years, capital credited to such Patron's account shall be deemed a contribution to capital and such Patron shall have no further claim to such capital.

(c) If a check representing any retirement or refund of any such capital credits, Membership Fees, Additional Fees, or other such amounts shall be mailed to any Patron to such Patron's last known address shown in the records of the Cooperative, and shall be returned unclaimed to the Cooperative, or any such check remain uncashed and no claim made by such Patron for a period as provided by law after the issuance of such check, it is agreed that such Patron shall have no right, title, or interest to any such capital credits, Memberships Fees, Additional Fees, or other amounts credited to such Patron on the books of the Cooperative, and such amounts shall thereafter be delivered as permitted by and in accordance with the laws of the State of Texas regarding unclaimed funds.

Article X

Disposition of Cooperative Assets

Section 10.1. Disposition and Pledging of Property.

(a) Not inconsistently with subsection (b) below, the Members of the Cooperative may, at a duly held meeting of the Members, 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 vote of not less than two-thirds (2/3) of all Members of the Cooperative. However, the Board, without authorization by the Members, shall have full power and authority to do the following:

(1) borrow monies from any sources and in such amounts as the Board may from time to time determine;

(2) mortgage or otherwise pledge to encumber any or all of the Cooperative's property or assets as security therefor; and

(3) 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.

(b) Supplementary to the first sentence of the foregoing subsection (a) and any other applicable provisions of law or by these Bylaws, no sale, lease, lease-sale, exchange transfer or other disposition of all or a substantial portion of the Cooperative's property and assets shall be authorized except in conformity with the following:

(1) If the Board looks with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer or other disposition, it shall first cause three (3) independent, non-affiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered.

(2) If the Board, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal should be submitted for consideration by the Members, it shall first give every other rural electric cooperative corporation corporately sited and operating in Texas (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural electric cooperative corporations, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such rural electric cooperative corporations shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

(3) If the Board then determines the favorable consideration should be given to the initial or any subsequent proposal which had been submitted to it, it shall so notify the Members not less than sixty (60) days before noticing a special meeting of the Members thereon or, if such be the case, the next Annual Meeting, expressing in detail each of any such proposals, and shall call a special meeting of the Members for consideration thereof and action thereon, which meeting shall be held not less nor more than (30) days after the giving of notice thereof to the Members; provided, however, that consideration and action by the Members may be given at the next Annual Member meeting if the Board so determines and if such Annual Meeting is held not less not more than thirty (30) days after the giving of notice of such meeting.

(4) Any fifty (50) or more Members, by so petitioning the Board not less than thirty (30) days prior to the date of such Annual or Special Meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all Members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

(c) The provisions of subsection (b) shall not apply to a sale, lease, lease-sale, exchange, transfer, or other disposition to one or more other rural electric cooperative corporations if the substantive effect thereof is to merge with such other one or more rural electric cooperative corporations or the actual legal effect thereof is to consolidate with such other one or more rural electric cooperative corporations.

Section 10.2. Distribution of Surplus Assets on Dissolution. Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable, as determined by the Board, not inconsistently with the provisions of Section 9.3(c), be distributed without priority but on a patronage basis among all Members of the Cooperative at the time of filing the certificate of dissolution; 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 non-profit charitable or educational organizations that are exempt from federal income taxation.

Article XI Miscellaneous

Section 11.1. Fiscal Year. The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end on the last day of the month of December following.

Section 11.2. Governing Law. These Bylaws shall be governed by, and interpreted under, the laws of the State of Texas.

Section 11.3. Rules of Order. Parliamentary procedure at all meetings of the Members, of the Board, of the Committee provided for in these Bylaws, and of any other committee of Members or Directors, which may from time to time be duly established, shall be governed by the

current version of *Robert's Rules of Order*, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

Section 11.4. Waiver of Notice. Any Member or Director may waive, in writing, any notice of meetings required to be given by these Bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

Section 11.5. Lack of Notice. The failure of a Member or Director to receive notice of a meeting, action, or vote does not affect or invalidate an action or vote taken by the Members or the Board.

Section 11.6. Non-Waiver of Right or Remedy. The failure of the Cooperative to assert a right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

Section 11.7. Corporate 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."

Section 11.8. Partial Invalidity. When reasonably possible, every Bylaw Article, Section, subsection, paragraph, sentence, clause, or provision (collectively, "Bylaw Provision(s)") must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation of a Bylaw Provision by an entity possessing proper jurisdiction and authority, which invalidation does not alter the fundamental rights, duties, and relationship between the Cooperative and its Members, does not invalidate the remaining Bylaw Provisions.

Section 11.9. Successors and Assigns of Members. To the extent allowed by law, the duties, obligations, and liabilities imposed upon a Member by these Bylaws are binding upon the Member's successors and assigns, but such Member is not relieved of pre-existing duties, obligations, and liabilities imposed by these Bylaws.

Article XII Amendments

These Bylaws may be altered, amended, or repealed by the affirmative vote of not less than two-thirds (2/3) of the Directors at any regular or special Board meeting. The notice of such meeting shall contain a copy or accurate summary of the proposed alteration, amendment, or repeal. The Board shall cause any Bylaw amendment to be noticed in writing by mail or electronic means to the Members, and by posting in the Cooperative's headquarters offices, within thirty (30) days of Board approval.