

# BYLAWS

## NAVARRO COUNTY ELECTRIC COOPERATIVE, INC.

Corsicana, Texas

### ARTICLE I MEMBERSHIP

**SECTION 1. Requirements for Membership.** Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Navarro County Electric Cooperative, upon receipt of electric service from the Cooperative, provided that he or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (c) Agreed to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors (hereinafter called the 'board') and
- (d) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

**SECTION 2. Membership Certificates.** Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the board. No membership certificate shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated a new certificate may be issued thereof upon such uniform terms and indemnity to the Cooperative as the board may prescribe.

**SECTION 3. Joint Membership.** A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or board members, provided that both meet the qualifications for such office.

**SECTION 4. Conversion of Membership.** A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws and rules and regulations adopted by the board. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

**SECTION 5. Membership and Service Connection Fees.** The membership fee shall be ten dollars, upon the payment of which a member shall be eligible for service. A non-refundable service connection fee, as established by the Board of Directors, shall be charged for each service connection.

**SECTION 6. Purchase of Electric Energy.** Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefore at rates which shall from time to time be fixed by the board. It is expressly understood that amounts paid for electric energy 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 regardless of the amount of electric energy consumed, as shall be fixed by the board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

**SECTION 7. Termination of Membership.**

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe. The board may, by the affirmative vote of not less than two-thirds of all the members of the board, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the board or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the board.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

**ARTICLE II  
RIGHTS AND LIABILITIES OF MEMBERS**

**SECTION 1. Property Interest of Members. Upon dissolution, after:**

- (a) All debts and liabilities of the Cooperative shall have been paid, and
- (b) All capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years next preceding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

**SECTION 2. Non-liability for Debts of the Cooperative.** The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

**ARTICLE III  
MEETING OF MEMBERS**

**SECTION 1. Annual Meeting.** The annual meeting of the members shall be held during the month (or months) of April or May of each year beginning with the year 1969 at such place within a county served by the Cooperative, as selected by the board and which shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 2. Special Meetings.** Special meetings of the members may be called by resolution of the board, or upon a written request signed by any three board members, by the President, or by thirty-five per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as designated by the board and shall be specified in the notice of the special meeting.

**SECTION 3. Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than twenty-five days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. 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. The failure of any member to receive 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.

**SECTION 4. Quorum.** Twenty per centum (20%) of the total number of all members of the Cooperative present in person or represented by a proxy shall constitute a quorum for the transaction of business at all meetings of the members so long as the total number of members does not exceed three hundred (300). In case the total number of members exceeds three hundred (300), then and in such case, seventy-five (75) members present in person shall constitute a quorum for the transaction of business at all meetings of the members.

**SECTION 5. Voting.** Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the articles of incorporation or these bylaws.

**SECTION 6. Order of Business.** The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, trustees and committees.
5. Election of board members.
6. Unfinished business.
7. New business.
8. Adjournment.

## **ARTICLE IV DIRECTORS**

**SECTION 1. General Powers.** The number of directors of the Corporation shall be seven (7), to be elected at annual meetings of the members as follows: Each director to be elected for a three year term, with two (2) to be elected each year, except every third year three (3) to be elected.

**SECTION 2. Directors' Districts.** The territory served or to be served by the Cooperative shall be divided into seven districts, each of which shall contain as nearly as possible the same number of members. Division into districts may be on the basis of the distribution line layout, without regard to political subdivisions. Or, the basic unit for the delineation of districts may be the township, the county commissioner's district, or any other suitable political subdivision. (If the latter plan is used, the basic unit should be small enough so that serious inequalities in the membership of the various districts can be avoided. Well defined boundaries such as county lines, creeks, rivers and paved highways should be used as boundaries for districts where practicable to do so.) Each district shall be represented by one director. The seven districts shall be as follows:

**DISTRICT I:** District one includes all members inside an area bounded by and beginning at the intersection of US Hwy 84 and Hwy 14 in Mexia, TX., heading North along Hwy 14 to FM 27, then East along FM 27 to Tehaucana Creek, then Northeast along Tehaucana Creek to the Trinity River, then Southeast along the Trinity River to US Hwy 84, then West along US Hwy 84 to FCR 441, then South along FCR 441 to Keechi Creek, then along a line Westerly to State Hwy 75, then North along Hwy 75 to US Hwy 84, then Southwest along US Hwy 84 to its beginning at the intersection of US Hwy 84 and Hwy 14 in Mexia, TX.

**DISTRICT II:** District two includes all members inside an area bounded by and beginning at the intersection of Chambers Creek and the Navarro-Ellis County Line, heading East along the Navarro-Ellis County Line to the Trinity River, then Southeast along the Trinity River to Richland Creek, then West along Richland Creek to Chambers Creek, then Northwest along Chambers Creek to its beginning at the Intersection of Chambers Creek and the Navarro-Ellis County line.

**DISTRICT III:** District three includes all members inside an area bounded by and beginning at the intersection of US Hwy 84 and Hwy 14 in Mexia, TX., heading North along Hwy 14 to FM 27, then East along FM 27 to Tehaucana Creek, then Northeast along Tehaucana Creek to the Trinity River, then North along the Trinity River to Richland Creek, then West along Richland Creek to US Hwy 31, then South along US Hwy 31 to Hwy 171, then Southeast along Hwy 171 to its intersection with US Hwy 84 and Hwy 14 in Mexia, TX.

**DISTRICT IV:** District four includes all members inside an area bounded by and beginning at the Intersection of FM 55 and Chambers Creek, heading East and Southeast along Chambers Creek to its intersection with Richland Creek, then West along Richland Creek to FM 709, then North on FM 709 to FM 2452, then Northwest along FM 2452 to Hwy 31, then South along Hwy 31 to FM 1126, then North along FM 1126 to FM 744, then West along FM 744 to FM 55, then Northwest along FM 55 to its beginning at the intersection of FM 55 and Chambers Creek.

**DISTRICT V:** District five includes all members inside an area bounded by and beginning at the intersection of Hwy 31 and Hwy171 in Hubbard, TX., heading Northwest along Hwy 171 to Ash Creek, then Northwest along Ash Creek to FM 1242, then Northwest along FM 1242 to Hwy 171, then Northwest along Hwy 171 to Hwy 22, then West along Hwy 22 to Interstate 35, then North along Interstate 35E to Chambers Creek, then East along Chambers Creek to FM 55, then South along FM 55 to FM 744, then East along FM 744 to FM 1126, then South along FM 1126 to Hwy 31, then Northeast along Hwy 31 to FM 2452, then Southeast along FM 2452 to FM 709, then South along FM 709 to Richland Creek, then Southwest along Richland Creek to Hwy 31, then South to its beginning at the intersection of Hwy 31 and Hwy 171 in Hubbard, TX.

**DISTRICT VI:** District six includes all members inside an area bounded by and beginning at the intersection of Interstate 35E and Chambers Creek, heading North along Interstate 35E to FM 387, then East along FM 387 to FM 813, then East and Southeast along FM 813 to Interstate 45, then South along Interstate 45 to the Navarro-Ellis County Line, then West along the Ellis-Navarro County line to Chambers Creek, then West along Chambers Creek to its beginning at the intersection of Interstate 35E and Chambers Creek.

**DISTRICT VII:** District seven includes all members inside an area bounded by and beginning at the intersection of Interstate 35E and FM 387, heading North to the Ellis-Dallas County line, then East along the Ellis-Dallas County line to the Trinity River, then South along the Trinity River to the Ellis-Navarro County line, then West along the Ellis-Navarro County line to Interstate 45, then North along Interstate 45 to FM 813, then Northwest along FM 813 to FM 387, then West on FM 387 to its beginning at the intersection of FM 387 and Interstate 35 E.

Not less than thirty days before any meeting of the members of which directors are to be elected, the Board of Directors shall review the composition of the several districts and, if it should be found that inequalities in representation have developed which can be corrected by a re-delineation of districts, the Board of Directors shall reconstitute the districts so that each shall contain nearly as possible the same number of members.

### **SECTION 3. Election and Tenure of Office.**

- (a) **Nominating Committee.** Not less than one hundred twenty (120) days prior to the annual membership meeting, the Board of Directors shall appoint a Nominating Committee consisting of three (3) members of the district where the term of the director is expiring. Such Nominating Committee shall nominate one or more members from the district where the term of the Director is expiring, as a Director for that district for the ensuing year. The Nominating Committee shall meet at a place convenient to the committee, such meeting to be held not less than ninety (90) days prior to the annual meeting of the members, and report to the Cooperative the names of its nominees within three (3) days thereafter.
- (b) **Nominations by Petition.** In addition to the Nominating Committee nominations, Members may nominate, through petition, individuals from the district where the term of the Director is expiring, as a Director for that district to run for election for a Director position. Nominating Members make nominations by petition by returning to the Cooperative no later than March 15 (or next business day, if March 15 falls on a weekend or holiday for which the Cooperative's business office is closed), a completed application package obtained from the Cooperative for each petition nomination:
  1. listing, on each page of the petition, the name of the petition nominee;
  2. indicating, on each page of the petition the Director position (District) for which the petition nominee will run; and
  3. containing the printed names, addresses, and telephone numbers, and original dated signatures within sixty days (60) of the first signature, of at least 50 members from the District for which the nominee is nominated; provided that any candidate(s) so nominated must meet the qualifications prescribed in Section 4 hereof.
- (c) **No nominations From the Floor and Write-In Candidates.** Members may not make nominations from the floor nor nominate or vote for write-In candidates.
- (d) **Notice of Director Nominations.** At least ten (10) days before a Member Meeting at which Members are scheduled to elect Directors, the Cooperative shall notify members of the:
  1. director positions scheduled for election by Members;
  2. names and corresponding Director positions of all nominating Committee nominations; and
  3. names and corresponding Director positions of all Member petition nominations, if any.
- (e) **Approval of Director.** Each member present at the annual membership meeting may vote for one candidate from each District where the term of a Director is expiring. The candidate from each district who receives the highest number of votes shall be declared the Director for that District.
- (f) **Notice of Bylaws.** At least sixty (60) days before a member's meeting where Directors will be elected, the Cooperative must provide Members with this Bylaw section.

(g) **Tenure of Office.** At each annual meeting of the members, directors shall be elected for the respective districts indicated, by and from the members to succeed those directors whose term of office have expired, to serve for a term of three (3) years or until their successors shall have been elected and shall have qualified.

**SECTION 4. Qualifications.** No person shall be eligible to become or remain a director of the Cooperative who:

- (a) Is not a member, or has a controlling interest in another person or entity that has one or more accounts with the Cooperative, that is not in good standing and maintains a bona fide principal residence receiving electric service from the Cooperative in the area served or to be served by the Cooperative for a period of twelve months prior to nomination (and continuously thereafter); or
- (b) Is in any way employed by or financially interested in a competing enterprise or a business selling electric energy, or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative; or
- (c) Is the incumbent of, or candidate for, an elective public office in connection with which a salary is paid. School trustees shall not be considered as salaried, elective public officers; or
- (d) is a current employee or has been, within five (5) years, an employee of the Cooperative or who has ever been an employee of the Cooperative and had such employment terminated by the Cooperative, or is a spouse, brother, sister, mother, father, grandmother or grandfather of a current employee of the Cooperative or a person who has been, within five (5) years, an employee of the Cooperative or a person who has ever been an employee of the Cooperative and had such employment terminated by the Cooperative; or
- (e) Has ever been convicted of a felony; or
- (f) While serving on the board, is not present at 3 consecutive meetings (other than due to a bona fide illness).

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provision, the Board of Directors shall remove such director from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

**SECTION 5. Removal of Director by Members.** Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least thirty-five per centum of the members, may request the removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

**SECTION 6. Vacancies.** A vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term.

**SECTION 7. Compensation.** Board members shall not receive any salary for their services as such, except that members of the board may by resolution authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the board. If authorized by the board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the board in lieu of detailed accounting for some of these expenses. No board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a board member receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the board member or his close relative shall have been certified by the board as an emergency measure.

## **ARTICLE V MEETINGS OF BOARD**

**SECTION 1. Regular Meetings.** A regular meeting of the board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the board shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the board. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

**SECTION 2. Special Meeting.** Special meetings of the board may be called by the President or by any three board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or board members calling the meeting shall fix the time and place for the holding of the meeting.

**SECTION 3. Notice of Board Meetings.** Written notice of the time, place and purpose of any special meeting of the board shall be delivered to each member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the board member at his address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

**SECTION 4. Quorum.** A majority of the board shall constitute a quorum, provided, that if less than such majority of the board is present at said meeting, a majority of the board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent board members of the time and place of such adjourned meeting. The act of a majority of the board members present at a meeting at which a quorum is present shall be the act of the board, except as otherwise provided in these bylaws.

**SECTION 5. Conduct of Board Meetings.** A regular meeting or special meeting of the board may be conducted with directors participating, and deemed present in person, through any means of communications equipment (including conference telephone or videoconference) permitted by applicable law by which all directors participating in the meeting may communicate with each other during the board meeting.

**SECTION 6. Board Action by Written Consent.** The board may take an action required or permitted to be taken at a board meeting, without a board meeting, if the action is: (a) taken by all directors; and (b) evidenced by a written consent describing the action taken and signed by each director. Unless a different effective date is stated in a written consent, action so taken by written consent is effective when the last director signs the written consent. A written consent may be signed in counterparts and has the effect of, and may be described as, a board meeting vote.

## ARTICLE VI OFFICERS

**SECTION 1. Number.** The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the board from time to time. The offices of Secretary and Treasurer may be held by the same person.

**SECTION 2. Election and Term of Office.** The officers shall be elected, annually by and from the board at the meeting of the board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the board for the unexpired portion of the term.

**SECTION 3 Removal of Officers and Agents by the Board.** Any officer or agent 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 thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by at least thirty-five per centum of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. In the event the board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

**SECTION 4. President.** The President shall:

- (a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the board, shall preside at all meetings of the members and the board;
- (b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the board or the members, 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 may be prescribed by the board from time to time.

**SECTION 5. Vice President.** In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to him by the board.

**SECTION 6. Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents, the execution of

which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;

- (d) keeping a register of the names and post office addresses of all members;
- (e) signing, with the President, certificates of membership, the issue of which shall have been authorized by the board or the members;

(6)

- (f) keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any member upon request; and
- (g) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the board.

**SECTION 7. Treasurer.** The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the board.

**SECTION 8. Manager.** The board may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the board may from time to time vest in him.

**SECTION 9. Bonds of Officers.** The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the board shall determine. The board at its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

**SECTION 10. Compensation.** The powers, duties and compensation of officers, agents and employees shall be fixed by the board subject to the provisions of these bylaws with respect to compensation for a board member and close relatives of a board member.

**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. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

## 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 patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

**SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy.** In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish 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 the furnishing of electric energy in excess of the sum of (a) operating and maintenance costs and expenses necessary or desirable for the prudent conduct of its business and properly chargeable against the furnishing of electric energy; (b) principal of and interest on the obligations issued and assumed by the Cooperative in performing the purpose for which the Cooperative was organized; (c) amounts required to offset any losses incurred during the current or any prior fiscal year; and (d) create reserves. All such excess amounts are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such excess amounts. 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 notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished to Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, 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 shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made using the FIFO/LIFO Hybrid method, in which at least fifty percent (50%) of the capital to be retired will be retired to patrons furnishing capital first received by the Cooperative, and the remaining portion of the capital being retired will be retired to current patrons.

(7)

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 part of such patrons' premises served by the Cooperative unless the board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the board at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

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 for 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.

Before retiring and refunding any capital credits, the Cooperative may deduct from the capital credits any amounts owed to the Cooperative by the patron or former patron, including any reasonable compounded interest and late payment fee determined by the Board.

## **ARTICLE VIII DISPOSITION OF PROPERTY**

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income there from, all upon such terms and conditions as the board shall determine, to secure any indebtedness of the Cooperative.

## **ARTICLE IX SEAL**

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words 'Corporate Seal State of Texas.'

## **ARTICLE X FINANCIAL TRANSACTIONS**

**SECTION 1. Contracts.** Except as otherwise provided in these bylaws, the board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

**SECTION 2. Checks, Draft, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board.



**SECTION 3. Deposits.** All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board may select.

**SECTION 4. Change in Rates.** Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

**SECTION 5. Fiscal Year.** The Fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty first day of December of the same year.

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## **ARTICLE XI MISCELLANEOUS**

**SECTION 1. Membership in Other Organizations.** The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may upon the authorization of the board, purchase stock in or become a member of any corporation or organization organized on a non profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of Rural Utilities Service, of any other corporation for the purpose of acquiring electric facilities.

**SECTION 2. Waiver of Notice.** Any member or board member may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in case a member or board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

**SECTION 3. Policies, Rules and Regulations.** The board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the articles of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

**SECTION 4. Accounting System and Reports.** The board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such account system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books, and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

**SECTION 5. Area Coverage.** The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

## **ARTICLE XII AMENDMENTS**

These bylaws may be altered, amended or repealed by not less than the affirmative vote of two-thirds (2/3) of all of the board of directors at any regular or special meeting.

## **ARTICLE XIII UNCLAIMED CAPITAL CREDITS**

All persons 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. If a member or former member fails to claim a retired capital credits amount and such amount becomes abandoned property under Chapters 72 and 74 of the Texas Property Code, then the cooperative shall take such action as required by law, and may deliver such amount as permitted by law.

## **ARTICLE XIV INDEMNIFICATION OF OFFICERS AND DIRECTORS**

**SECTION 1. Indemnification for Expenses and Liability.** Every director and officer of the Cooperative shall be indemnified by the Cooperative against all judgments, penalties, fines, liabilities, amounts paid in settlement and reasonable expenses, including counsel fees actually incurred by or imposed upon him or her in connection with any proceeding to which he or she was, is or is threatened to be made a party, or in which he or she may become involved, by reason, in whole or in part, of being or having been a director or officer of the Cooperative, whether or not he or she is a director or officer, at the time such expenses are incurred, to the maximum extent consistent with the provisions of Article

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2.22A of the Texas Non-Profit Corporation Act; provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement 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 director or officer may be entitled.

**SECTION 2. Power to Purchase Insurance.** The Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Cooperative would have the power to indemnify him against such liability under the provision of this Article.

**SECTION 3. Continuing Offer, Reliance.** The provisions of this Article are for the benefit of, and may be enforced by, each director and officer of the Cooperative as a contract for valuable consideration and constitute a continuing offer to all present and future directors and officers of the Cooperative. The Cooperative, by the adoption of this Article agrees that each present and future director and officer of the Cooperative has relied upon and will continue to rely upon the provisions of this Article in accepting, serving or continuing to serve as a director or officer.

**SECTION 4. 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 claim may arise or be asserted.

