

# **BYLAWS**

## **Bandera Electric Cooperative, Inc.**

### **ARTICLE I**

#### **Members**

**Section 1. Qualifications and Obligations.** Any eligible person, firm, corporation or body politic may become and remain a member of the Cooperative by:

- (a) signing a Membership Agreement, written or electronic, and paying the membership fee hereinafter specified;
- (b) agreeing to consume, receive, purchase or otherwise use electric energy or a Cooperative Service generated, transmitted, distributed, sold, supplied, furnished or otherwise provided by the Cooperative. A "Cooperative Service" is: (1) electric energy provided by the Cooperative; and (2) as determined by the Cooperative's Board of Directors ("Board"), a good or service provided by the Cooperative; and
- (c) agreeing to become a member of the Cooperative and comply with and be bound by the Governing Documents,

provided, however, that no person, firm, corporation or body politic shall become a member unless and until he or it has been accepted for membership by the Board of Directors. No person, firm, corporation or body politic may own more than one membership in the Cooperative.

The "Governing Documents" are the written, or electronic, membership application signed by an applicant or Member and the following documents and actions, all as currently existing or as later adopted or amended: (1) all laws regarding or affecting the Cooperative's property, property rights, and assets ("Assets"), the Cooperative's operation, the Cooperative's Members and patrons, the provision and use of Cooperative Services, Cooperative equipment, and Member equipment connected to Cooperative equipment; (2) the Articles; (3) these Bylaws; (4) the Cooperative's service rules and regulations; (5) the Cooperative's rate or price schedules; and (6) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board.

**Section 2. Membership Fee.** The Membership Fee shall be \$25.00 and the membership shall be in the name of the party being billed.

**Section 3. Purchase of Electric Energy and/or Cooperative Service.** Each member shall, as soon as electric energy shall become available, purchase from the Cooperative, electric energy or Cooperative Service used on the premises specified in his application for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. 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 regulations as shall be fixed from time to time by the Cooperative. 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 pay to the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors 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 4. Non-liability for Debts of the Cooperative.** The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and in general, no member shall be individually liable to third parties for any debts or liabilities of the Cooperative solely because of membership in the Cooperative.

**Section 5. Indemnification.**

(a) As requested by the Cooperative, a member shall indemnify the Cooperative for, and hold the Cooperative harmless from, any expenses, costs, liabilities, or damages, including reasonable attorney fees and legal expenses incurred by the Cooperative, or by any Cooperative director, officer, employee, agent, representative, or contractor, related to any property damage, personal injury, or death directly or indirectly caused by the member's negligence, gross negligence or willful misconduct of the member, by the unsafe or defective conditions of a location occupied by the Member, or by the Member's failure to comply with the Governing Documents.

(b) The Cooperative shall indemnify, defend and hold harmless directors, officers, employees or agents of the Cooperative ("Cooperative Officials") from and against all costs, expenses and liabilities, including counsel fees, reasonably incurred by, or imposed upon him or her, in connection with any proceeding to which he or she may be made a party, or in which he or she may become involved, or any settlement thereof, by reason of being or having been a Cooperative Official, whether or not he or she is a Cooperative Official at the time such expenses are incurred, to the maximum extent allowed by applicable law. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Cooperative Official may be entitled, The Cooperative shall have the right to purchase and maintain insurance on behalf of any person who is or was a Cooperative Official, or who 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 or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Cooperative would have the power to indemnify him or her against such liability under the provision of this Article.

**Section 6. Joint Membership.** Persons who qualify to be Members may hold a joint membership in the Cooperative (“Joint Membership”). A Joint Membership may consist only of two individuals residing at the same location to or for which the Cooperative provides or will provide a Cooperative Service, each of whom qualifies to be a Member. If each individual residing the same location each qualifies to be a member, and unless or until either individual notifies the Cooperative otherwise in writing, then the two individuals hold a Joint Membership.

(a) **Creating a Joint Membership.** Except as otherwise provided in these Bylaws, to become or remain joint members of the Cooperative, qualified Persons must jointly complete the Membership Procedures within a reasonable time of initially using, or requesting or agreeing to use, the first Cooperative Service used or to be used by the persons. Qualified persons become joint members of the Cooperative (“Joint Members”) and consent to being Joint Members in the same manner as Members become Members and consent to being Members. As provided by the Board, a Member may convert the Member’s individual membership to a Joint Membership with a qualified person. While a Joint Member, a qualified person may become or remain a separate, non-Joint Member by using a Cooperative Service at a location different from the Joint Membership location.

(b) **Rights and Obligations of Joint Members.** Except as otherwise provided in these Bylaws, a Joint Member has and enjoys the rights, benefits, and privileges, and is subject to the obligations, requirements, and liabilities, of being a Member. Joint Members are jointly and severally liable for complying with the Governing Documents. As used in these Bylaws, and except as otherwise provided in these Bylaws, a membership includes a Joint Membership and a Member includes a Joint Member. For a Joint Membership:

- (1) notice of a meeting provided to one Joint Member constitutes notice to all Joint Members;
- (2) waiver of notice of a meeting signed by one Joint Member constitutes waiver of notice for all Joint Members;
- (3) the presence of one or more Joint Members at a meeting constitutes the presence of one Member at the meeting;
- (4) the presence of one Joint Member at a meeting waives notice of the meeting for all Joint Members;
- (5) the presence of one Joint Member at a meeting may invalidate a mail ballot previously mailed by the Joint Member;
- (6) if only one Joint Member votes on a matter; signs a petition, consent, waiver, or other document; or otherwise acts, then the vote, signature, or action binds the Joint Membership and constitutes one vote, signature, or action;
- (7) if more than one Joint Member votes on a matter; signs a petition, consent, waiver, or other document; or otherwise acts, then the first vote, signature, or action received by the Cooperative binds the Joint Membership and constitutes one vote, signature, or action except as in (5); and
- (8) except upon the cessation of marriage, the suspension or termination of a Joint Member constitutes the suspension or termination of all Joint Members;.

(c) **Terminating a Joint Membership.** Joint Members shall notify the Cooperative in writing should the Joint Members no longer reside at the same location:

- (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 converts to a membership comprised of this Person;
- (2) if more than one Joint Member remains qualified to be a Joint Member and continues to use a Cooperative Service at the same Location, then the Joint Membership converts to a membership comprised of these Persons;
- (3) if all Joint Members remain qualified to be Joint Members and continue to Use a Cooperative Service at the same Location, then the Joint Membership converts to a membership of Persons determined by Cooperative; and
- (4) if no Joint Member remains qualified to be a Member and continues to Use a Cooperative Service at the same Location, then the Joint Membership terminates.

**Section 7. Organizational Memberships.** A non-natural entity or organization may apply or continue membership in the Cooperative pursuant to the requirements for membership specified in this Article. Any such non-natural person accepted, or continuing membership, must designate to the Cooperative an individual to represent its voting interests in any meeting of members or any otherwise needed representation of that membership interest.

**Section 8. Expulsion of Members.** The Board of Directors of the Cooperative may, by the affirmative vote of not less than 2/3 of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these Bylaws or any rules or regulations adopted from time to time by the Board of Directors. Any member so expelled may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

**Section 9. Withdrawal of Membership.** Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe. Upon the withdrawal of a member

who is indebted to the Cooperative, the Membership Fee, or so much thereof as may be necessary, shall be applied to the full or partial satisfaction of the indebtedness of such member.

**Section 10. Transfer, Conversion and Termination of Membership.**

- (a) Membership in the Cooperative and a certificate representing the same shall not be transferable, except as hereinafter otherwise provided, and upon the death, cessation of existence, expulsion or withdrawal of a member the membership of such member shall thereupon terminate and the certificate of membership of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Cooperative.
- (b) Pursuant to the provisions of Article I, Section 6, a Member may convert the Member's individual membership to a Joint Membership with a qualified person. Such transfer shall be made and recorded on the books of the Cooperative and such joint membership noted on the original certificate representing the membership so converted to Joint Membership.
- (c) When a membership is held jointly by Joint Members, upon the death of either Joint Member, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Cooperative the certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

## ARTICLE II Meetings of Members

**Section 1. Annual Meeting.** Except as otherwise provided in these Bylaws, the Annual Meeting of the members shall be held annually as established by the Board of Directors at a location within any county in which the Cooperative provides retail electric service or by means of remote communication as may be designated by the Board of Directors and specified in the notice of the meeting for the purpose of electing directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. The Board of Directors may for any reason deemed by it to be sufficient, advisable or proper, at any regular or special meeting of the Board of Directors, change the date for the Annual Meeting of members, providing that such date is changed at least 30 days prior to the date so fixed for such Annual Meeting of members. If the election of directors shall not be held on the day designated for any Annual Meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a Special Meeting of the members as soon thereafter as conveniently may be. 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 only by the Chairman, a majority of the Board of Directors, or upon a written request signed by at least 10% 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 a location within any county in which the Cooperative provides retail electric service or by means of remote communication as 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, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than 30 days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or 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. Record Date.**

(a) A "Record Date" is the date for determining 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 a Member Meeting, or similar document; or (3) vote or otherwise act. If a Member is suspended after the Record Date, then the Member may not sign a document, receive a document, or vote or otherwise act.

(b) The Board may fix the Record Date, but the Record Date must not be more than 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 a Member Meeting.

(c) Except as 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 receives the signed document; (2) for receiving a ballot, notice, or similar document is the date **30 days** before the document is due or required; and (3) for voting or otherwise acting at a Member Meeting is the date of the Member Meeting.

(d) The Record Date for determining the Total Membership and the Members entitled to notice of, or to vote at, a Member Meeting is effective for a Member Meeting adjourned to a date not more than one hundred twenty (120) days after the original Member Meeting date.

**Section 5. Quorum.** As long as the total number of members does not exceed 1000 at least 15% of the total number present in person or represented by mail or electronic ballot shall constitute a quorum for the transaction of business at all meetings of the members provided at least 5% of the total number of members are present in person. In case the total number of members shall exceed 1000 then at least 150 of the members present in person or represented by mail-in ballot shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. Members voting by mail or Electronically are counted as present for purposes of determining whether a quorum is present.

**Section 6. Voting.** Each member shall be entitled to one vote and no more upon each matter submitted to a vote at an Annual Meeting of the members. In no event shall any individual person, utilizing any combinations of that individual's single membership, or a representative of a non-natural person entity, be entitled to cast more than three (3) votes on any issue submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present all multiple choice issues or determinations shall be decided by a vote of a plurality vote, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or by these Bylaws. Joint Members are jointly entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members.

**Section 7. Voting by Mail or Electronically.** The Board of Directors may authorize voting by mail or Electronically on any matter submitted to a vote by the members. When such procedure is authorized by the Board of Directors, such votes shall be upon ballot forms to be furnished to the member at the time notice of any members meeting is given to the members.

**Section 8. 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:

1. Call to order
2. Determination of Quorum.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

## **ARTICLE III Directors**

**Section 1. General Powers.** All corporate powers shall be exercised by or under the authority of, and the affairs of the Cooperative managed under the direction of its Board of Directors.

**Section 2. Tenure of Office.**

Directors shall be elected on staggered three (3) year terms as follows.

Board members representing Districts 7, 8 and 9 have been elected to serve until the Annual Meeting to be held in the year 2013 or until their successors shall have been elected or appointed.

Board members representing Districts 1, 2 and 3 have been elected to serve until the Annual Meeting to be held in the year 2011 or until their successors shall have been elected or appointed.

Board members representing Districts 4, 5 and 6 have been elected to serve until the Annual Meeting to be held in the year 2012 or until their successors shall have been elected or appointed.

At the annual meeting of members held each year, the successors to the directors of the class whose terms of office shall expire at the meeting shall be elected to hold office for a term which shall expire at the third annual meeting of members after the annual meeting at which such directors shall have been elected, or until their successors have been duly elected, so that the term of one class of directors shall expire in each year, subject to the provisions of these Bylaws with respect to the removal of directors.

**Section 3. Director Qualifications.**

The Board of Directors has the authority to establish and define Director Qualifications.

To become or remain a Director, a Person must comply with the following general qualifications:

- (a) be an individual who is a member in good standing, occupies, and uses electric energy provided by the Cooperative at the individual's principal residence as defined under federal tax law within the District from which the Director is nominated or elected. A Member in

“good standing” means a member who has paid all bills to the Cooperative for which Cooperative Service he/she is legally responsible or liable for the most recent 24 consecutive billing periods without having been issued more than three termination notices or issued a disconnect order.;

- (b) have the capacity to enter legally binding contracts;
- (c) have not been previously removed or disqualified as a Director, or been terminated for cause as a Cooperative employee
- (d) while a Director, and during the five (5) years immediately before becoming a Director, not be convicted of, or plead guilty to, a felony;
- (e) at a minimum, be graduated from an accredited high school, college degree is preferred.
- (f) except as otherwise provided by the Board for good cause (at board discretion) directors are expected to attend all board meetings;
- (g) while a Director and during the five (5) years immediately before becoming a Director, is not engaged in business with, employed by or materially affiliated with, and does not have a material financial interest with another director, a competing enterprise, or a business selling electric energy, supplies or services to the Cooperative;
- (h) within one year of becoming a director, unless excused by the Board of Directors for good cause, receives a Credentialed Cooperative Director (CCD) designation;
- (i) is not the incumbent or a candidate for an elective public office in connection with which a salary is paid;
- (j) when a membership is a Joint Membership as defined in the Bylaws (Article I, Section 6) either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director of the Cooperative unless both shall meet the qualifications hereinabove set forth;
- (k) is not the spouse, parent or child (including step and adopted) of an incumbent director;
- (l) an individual who was, at one time, or is currently, employed by the Cooperative is not eligible to serve as a director until at least sixty (60) months after leaving the employment of the Cooperative. Once becoming a director, an individual will not be eligible to be employed by the Cooperative until at least sixty (60) months after leaving the position of director; and
- (m) comply with any other qualifications including those as prescribed in Section 4.

To become or remain a director, an individual must sign a conflict of interest disclosure form approved by the Board, and while a director and during the one (1) year immediately prior to becoming a director, comply with the conflict of interest qualification set forth in said form.

If at least a majority of directors authorized by these Bylaws comply with and meet the Director Qualifications and approve a board action, then the failure of any director to comply with or meet the director qualifications does not affect the board action.

#### **Section 4. Other Director Qualifications.**

Business acumen is an essential requirement of today’s Board member. The following competencies are not meant as an all-inclusive list but are a good starting point for the many skills and experiences needed for an effective and successful director.

- Strategic Planning
- Financial Literacy
- Budget and Project Approval
- Corporate Governance and Ethics
- Risk Management Oversight
- CEO/GM Performance
- Board Policy and Performance
- Rate Structures
- Basic Computer Application Literacy (e.g. Word, Excel, Email, etc.)

It is the responsibility of each director to make substantive effort to continue their respective ongoing skill set development on these and other competencies.

**Section 5. Director Disqualification.** Only individuals complying with and meeting the Director Qualifications may become or remain a director.

After being elected, designated or appointed, if any director fails to comply with or meet any Director Qualification, then, unless otherwise determined by the Board for good cause, the Board shall disqualify the director and the individual is no longer a director, if:

- (a) The Board notifies the director in writing of the basis for, and provides the director an opportunity to comment regarding, the Board's proposed disqualification; and
- (b) Within thirty (30) days after the Board notifies the director of the proposed disqualification, the director neither complies with nor meets the Director Qualifications.

#### **Section 6. Nomination and Election of Directors.**

- (a) Voting Districts -- The territory served or to be served by the Cooperative shall be divided into nine (9) districts, each of which shall be represented by one (1) director (Districts). Not less than two hundred (200) days before any meeting of the members at which directors are going to be elected, the Board of Directors shall review the composition of the several districts, and, if it should be found that inequities in representation have developed that can be corrected by a re-delineation of the districts, the Board of Directors shall reconstitute the districts. Factors including, but not limited to, the number of persons in each district, community boundaries, commonality of interests, area demographics and population density shall be considered by the Board of Directors in its delineation, if any, of the districts. Failure of the Board to review or re-delineate, or failure to do so within such two hundred (200) day period shall not, however, invalidate any election. As necessary, the Board shall revise the Districts to ensure that the Districts provide equitable representation on the Board from throughout the Cooperative service area. Within thirty (30) days following a Director District revision, and at least one hundred eighty (180) days before the next Annual Member Meeting, the Cooperative must notify, in writing or Electronically, Members affected by the District revision. District revisions are effective on the date the Cooperative releases written or Electronic notice of the District revision. A District revision may not: (1) increase an existing Director's Term; or (2) unless the affected Director consents in writing, shorten an existing Director's Term.
- (b) Nomination
  - (1) By Petition – Except as provided in Section 6(c), nominations for official director candidates shall be made by written petition including a formal Application Package. A petition/Application Package is valid only if:
    - (a) it designates, on each page of the petition, the full name of the nominee;
    - (b) it designates, on each page of the petition, the voting district for which the nomination is made;
    - (c) it contains original dated signatures of at least five percent (5%) or 100, whichever is less, current Cooperative members of that voting district. In the case of a Joint Membership, the Joint Membership shall be entitled to only one signature;
    - (d) at least the number of signatures required for Section 6(b)(1)(c) above are dated no later than sixty (60) days after the earliest signature on the petition;
    - (e) it contains next to each member's signature, the member's printed name, daytime telephone number and mailing address of where the member receives the Cooperative's electric bill; and
    - (f) The petition/Application Package is submitted to the corporate office of the Cooperative no less than ninety (90) days (or, if the 90th day is a weekend or holiday, then the next business day following the 90th day) prior to the announced Annual Meeting date. Included with the Petition shall be a formal Application Package which includes a prescribed questionnaire. This Application Package is available upon request from the BEC Executive Assistant. The Application Package is submitted to the Director Candidate Validation Committee (as per paragraph (c) below) for validation. If applicant is validated per Section 4 (Director Qualifications) by the committee they will be placed on the ballot.

Not later than forty-five (45) days after the Petition/Application Package is submitted the Director Candidate Validation Committee shall determine whether or not the Petition/Application Package is valid, based on verification of the information required pursuant to paragraphs (b)-(f) above. Validated Petitions/Application Packages will be placed on the ballot.

#### **(c) Director Candidate Validation Committee**

The BEC CEO/GM will seek three (3) members from the district to serve on a Director Candidate Validation Committee. The Committee submits the Petition list to BEC staff for signature validity. The Committee is responsible for interviewing the Petition Applicants and reviewing all Application Packages for compliance with Director Qualifications of Section 3 & 4. If the Committee determines that the Petition Applicants meet the Director Qualifications of Section 3 & 4, the Applicant(s) will be placed on the ballot.

(d) Nomination of Incumbent Director – If agreed to by the incumbent, incumbent directors of the districts in which their terms are due to expire at the upcoming Annual Meeting shall be placed into nomination along with any members nominated by petition.

(e) Election of Directors—Not less than ten (10) days, nor more than thirty (30) days before an annual or special meeting of the members at which directors are to be elected, the Executive Assistant of the Cooperative shall mail to each member a list of the candidates nominated by Petition/Application Package or as an incumbent, the names to be arranged by districts, together with ballots for mail voting and appropriate instructions for mail and/or Electronic voting, should either mail or Electronic voting be approved by the Board of Directors.

If there is more than one candidate for a District, the order of the names of the candidates for that District shall be determined by drawing, which will be conducted by the Cooperative. Each candidate affected by such drawing will be provided at least 72 hours notice of such drawing and is entitled to be present or have a representative present for the drawing.

This list and ballots may be included with the notice of the meeting. At the meeting the secretary of the Cooperative shall place in nomination the names of the official candidate(s) for each District. Election of directors shall be by printed ballot; provided, however, that if all candidates are unopposed, then by a majority vote of the members present, the election may be made by acclamation. The ballot shall list the candidates nominated by petition and as an incumbent, the names to be arranged by districts and in the order determined by the drawing described above. Each member of the Cooperative, whether voting by mail-in ballot, Electronic ballot, or voting in person at the meeting (subject to the limitations of Article II, Section 6) shall be entitled to vote for one (1) candidate from each District.

The candidate for any particular voting District receiving the highest number of votes shall be declared the director of that particular voting District. In the event the election results in a tie, an automatic recount shall be conducted. If the recount does not resolve the tie, the tied candidates shall draw from a container containing a series of numbers equaling the number of candidates up for election. The candidate who draws the highest number shall be declared the director of that particular voting district.

**Section 7. Vacancies.** Subject to the provisions of these Bylaws with respect to the removal of directors, vacancies occurring on the Board of Directors, including a vacancy resulting from increasing the number of Directors, shall be filled by

- (a) A notice of the vacancy will be mailed to all members of the district within forty-five (45) days of the date the vacancy occurred. The notice shall:
  - (1) Encourage qualified individuals who may be interested in serving as a director for the district to contact the Cooperative to obtain an Application Package to complete and return to the Cooperative by the designated deadline contained in the notice.
  - (2) Briefly outline director qualifications, responsibilities and expectations.
  - (3) Provide contact information if the potential candidate has additional questions.
  - (4) Include a map or description identifying the general boundaries of the district.
- (b) If three (3) or less qualified individuals submit an Application Package, the Board of Directors shall interview all candidates and select the interim director by a majority vote of the remaining directors.
- (c) If more than three (3) qualified individuals submit an Application Package, the CEO/GM will seek at least three (3) members from the district, or former Directors of the district, to serve on a Director Candidate Validation Committee. This committee will be responsible for reviewing the Application Packages and if desired, interview any or all potential candidates, in order to narrow down the list of potential candidates to at least three (3) qualified individuals from which the Cooperative's Board of Directors will select the interim director. The selection of an interim director will require a majority vote by the remaining directors.
- (d) It shall not be considered a violation of this policy to temporarily delay filling a vacant director position, in order to allow the general membership to elect the interim director at the Cooperative's next annual meeting. However, it is in the best interest of the BEC member/owners to have a fully functioning Board and therefore will make all reasonable effort to fill the interim position as soon as possible.
- (e) Such other procedures as may be approved by a majority vote of the remaining directors.

Directors selected to fill a vacancy shall serve until the next regular election of directors.

**Section 8. Compensation.** A Director is not an employee of the Cooperative. As allowed by law and as determined or approved by the Board, however, the Cooperative may reasonably reimburse, compensate, or provide insurance or other benefits to Directors. The Board shall determine or approve the manner, method, and amount of any Director reimbursement, compensation, or benefits.

In consideration for serving as a Director, as determined by the Board, and without granting a Director or former Director any contract or other rights, the Cooperative may promise to reasonably compensate, or provide insurance or other benefits to a Director after the Director ceases serving as a Director. After a Director ceases serving as a Director, the Board shall determine or approve, and may change or eliminate for any reason, the manner, method, and amount of any compensation or benefits provided to the former Director.

**Section 9. Rules and Regulations.** The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative, or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

**Section 10. Accounting System and Reports.** The Board of Directors shall cause to establish and maintain the accounting records of the Cooperative in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission for Class A and B utilities in conformity with accounting principles generally accepted in the United States of America. The Board of Directors shall, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report on such audit shall be made to the members at the following annual meeting.

**Section 11. Removal of Directors.**

- (a) Removal by the members. The members may remove a director for cause only upon the affirmative vote of 2/3 of the votes of the members present in person, by proxy or by mail, at a duly constituted meeting of the members; provided however, not more than 3 directors may be removed by the members in any twelve (12) month period.
- (1) "Cause" for removal by the members shall mean that the director is alleged to have violated applicable policies of the Cooperative, or committed an act or omission adversely affecting the business and affairs of the Cooperative and amounting to gross negligence, fraud or criminal conduct, a substantial breach of the director's fiduciary duties, or legal incapacity.
  - (2) No director shall be removed by the members except upon certification that the following procedures have been followed:
    - (A) A written petition must be presented to the Board, which shall:
      - (i) Identify the Director for whom removal is requested on each page of the petition;
      - (ii) describe in detail on each page each of the charges and the basis for the Director's removal; and
      - (iii) contain the printed names, printed address and original and dated signatures of a minimum of 10% of the members of the Cooperative obtained within sixty (60) days of the date of the petition date.
    - (B) If a majority of the Board determines that the petition complies with paragraph (A), and only if the Secretary certifies the authenticity of the petition, a meeting of the members shall be noticed in accordance with these Bylaws and shall be held within sixty (60) days after receipt by the Cooperative of the written petition. Notice of the member meeting shall state that (1) a purpose of the member meeting is to consider removing a Director; (2) evidence may be presented, and a member vote taken, regarding removing the Director; and (3) Members may elect a successor Director.
    - (C) At such meeting, a member quorum must be present in person, by proxy or by mail or Electronic ballot, and facts must be presented in support of the charges. The director shall be entitled to be represented by counsel and shall have the opportunity to refute such charges before a vote of the members is taken.
    - (D) If 2/3 of the members present in person, by proxy or by mail or Electronic ballot vote to remove the Director, then the Director is removed effective the time and date of the Member vote. At the member meeting, the members may elect a new Director to succeed the removed director, provided that the successor Director comply with the Director Qualifications and serves the unexpired term of the removed Director.
- (b) Removal by the Board. The Board may remove a director for cause only as provided in this section. To assist the Board Chairman, the board will have a standing ethics/discipline subcommittee of two (2) members, rotated equally on an annual basis with the board Chairman as the third member of the subcommittee.
- (1) "Cause" for removal by the Board shall mean that the director: 1) has violated applicable policies of the Cooperative, or committed an act or omission adversely affecting the business and affairs of the Cooperative and amounting to gross negligence, fraud or criminal conduct, a substantial breach of the director's fiduciary duties, 2) has failed to comply with or meet any of the Director Qualifications set forth in the Bylaws at the beginning of the Director's current term, provided that the determination that the Director has failed to satisfy a qualification is made by the vote of a majority of the Directors who meet all of the required qualifications, 3) is legally incapacitated, or 4) has been convicted of a felony.
  - (2) No director shall be removed by the Board except upon completion of the procedures required under Article III, Section 5 of these Bylaws for Director Disqualification.
  - (3) No director shall be removed by the Board for violating applicable policies of the Cooperative except upon completion of the following procedures:
    - (A) Any Director may bring one or more charges for cause against any one or more directors. Upon receiving written notice of such charges, the Chairman will convene the ethics/discipline subcommittee to investigate the allegations and bring to the Board of Directors in a special meeting duly called in accordance with these Bylaws, a recommendation of action.
    - (B) Board course of action: The Board may impose any discipline by a super majority vote, which is defined as one (1) above majority, ranging from verbal warning, written warning, reduction and/or withholding of benefits (i.e. pay, travel, education, etc.); or removal from the board.

## (C) Proceedings for removal

- (i) If the board determines that further proceedings shall be convened on the charges that would include removal, an arbitrator shall hear the charges and rule under the rules of the American Arbitration Association. The decision of the arbitrator shall be final.
- (c) Vacancies created by the removal and/or disqualification of directors shall be filled as otherwise provided in these Bylaws.
- (d) Nothing contained herein, however, shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

**Section 12. Catastrophic Loss of Board Members.** The loss of four (4) or more Board members arising from an event of natural or human origin shall be deemed a catastrophic loss of Board members. In the event of a catastrophic loss of Board members, the remaining Board members shall appoint, within one hundred twenty (120) days, individuals qualified, pursuant to the qualifications, set out in these Bylaws, to serve as Board members for each of the Districts which suffered the loss of a Board member, keeping in mind the principle of equitable geographic representation. Board members so appointed shall serve until the next annual meeting of the membership, at which time all Board positions appointed under this Section shall stand for election. In the event of a catastrophic loss wherein two (2) or less Board members remain, the remaining Board member(s), or if no Board remains, the highest ranking Cooperative staff member, shall call a special meeting of the membership within ninety (90) days of the occurrence of the vacancy to elect the applicable number of Board members to fill the vacant positions in accordance with all provisions of these Bylaws wherein these specially elected Board member(s) shall serve until the next regularly scheduled annual meeting of the membership at which time all such appointed positions shall stand for election.

**Section 13. Quorum During Catastrophe.** In the event of a catastrophic loss as defined in Section 7, the traditional quorum requirements are simplified pending the appointment of new Board members, in order to allow the remaining Board members to meet and conduct business. All actions of the Board during this time period shall stand for ratification at the next Board meeting wherein a traditional quorum is present.

## ARTICLE IV Meetings of Directors

**Section 1. Regular Meetings.** A regular meeting of the Board of Directors shall be held immediately after the adjournment of the annual meeting of the members, or at such other place and time specified in the notice to Members provided pursuant to Section 5 of this Article IV. At the discretion of the Board of Directors, a regular meeting of the Board of Directors may be held monthly at such time and place in any county within the Cooperative's service area, as the Board of Directors may provide by resolution and pursuant to the notice provisions of Section 5 of this Article IV.

### Section 2. Special Meetings.

(a) Special meetings of the Board of Directors may be called by the Chairman or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place, which shall be at a location within any county in which the Cooperative provides retail electric service as may be designated by the Board of Directors, for the holding of any special meeting of the Board of Directors called by them. Except as otherwise provided in these Bylaws, Notice to Directors of the time, place and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened. Notice of a Special Meeting of the Board of Directors shall be provided to Members pursuant to Section 5 of this Article IV.

(b) Notwithstanding any provision of these Bylaws to the contrary, in the event of an emergency or urgent matter, notice may be given in the manner prescribed by Section 5 of this Article IV at any time before a regular or special board meeting is convened. Such meeting may be held via teleconference in the event that it is infeasible to convene in person. An action taken by the board at a meeting for which notice is given under this Section 2(a) must be ratified by the Board of Directors at the next meeting for which notice is given under Section 5 of this Article IV.

**Section 3. Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

**Section 4. Manner of Acting.** Except as otherwise expressly provided in these Bylaws with regard to certain actions by the Board of Directors, the act of a majority of the Directors present and voting at a meeting at which a quorum is present shall be the act of the Board of Directors.

**Section 5. Notice of Board Meetings.** Except as otherwise expressly provided in these Bylaws, the Board of Directors shall give members notice of the date, hour, place and planned agenda of a regular or special board meeting. Notice of a board meeting shall be given at least three (3) days before the scheduled time of the meeting by: (a) posting a notice on a bulletin board in a place convenient to members at the Cooperative's main office and at each district office; and (b) providing a copy of the notice to a member on request by the member. Only attendance at a meeting waives notice, unless

the Director attends for the express purpose of objecting to the transaction of business at a meeting that was not duly called or noticed. The other Directors cannot waive that right.

**Section 6. Meetings by Telephone Conference or Other Remote Communications Technology.**

(a) Subject to the provisions required or permitted by law for notice of meetings, members of the Board of Directors of the Cooperative, or members of any committee designated by such board may participate in and hold a meeting of the board, or the committee, by means of:

(1) conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other; or

(2) another suitable electronic communications system, including videoconferencing technology or the Internet, only if:

(a) each member entitled to participate in the meeting consents to the meeting being held by means of that system; and

(b) the system provides access to the meeting in a manner or using a method by which each member participating in the meeting can communicate concurrently with each other participant.

(b) Participation in a meeting pursuant to this Article shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

## ARTICLE V Officers

**Section 1. Board Officers.** The officers of the Cooperative shall be Chairman, Vice Chairman, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and of Treasurer may be held by the same person, provided that, except as otherwise provided by law, a Director holding the offices of Secretary and of Treasurer may not execute, acknowledge or verify a document in more than one capacity. Minimum requirements to hold an officer position are as follows, a) desire to serve in the position, b) holds a CCD certification, c) served on the Board a minimum of two (2) years.

**Section 2. Election and Term of Office.** The officers shall be elected annually based on the minimum requirement identified in Section 1, (I) by secret written ballot, (ii) by the affirmative vote of a majority of the Board of Directors in office, (iii) at the first regular meeting of the Board of Directors held after each 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 reasonably possible and convenient. The Board Officers shall be elected from the current Directors. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of officers.

**Section 3. Removal.** Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby.

**Section 4. Vacancies.** Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

**Section 5. Chairman.** The Chairman shall:

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

(b) sign with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws, to some other office 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 Chairman and such other duties as may be prescribed by the Board of Directors from time to time.

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

**Section 7. Secretary.** The Secretary shall be responsible for:

(a) keeping the minutes of the meetings of the members and of the Board of Directors 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 Chairman, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members;

(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/her by the Board of Directors.

(h) The Secretary shall also have the authority, with the approval of the Board, to delegate a member of management the authority to appoint employee(s) of the Cooperative to actually carry out certain administrative duties set forth in this Section.

**Section 8. 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/her by the Board of Directors.

(d) The Treasurer shall also have the authority, with the approval of the Board, to delegate a member of management the authority to appoint employee(s) of the Cooperative to actually carry out certain administrative duties set forth in this Section.

**Section 9. Chief Executive Officer/CEO/GM .** The Board of Directors may appoint a manager who may be, but who shall not be required to be, a member of the Cooperative. The CEO/GM shall perform such duties as the Board of Directors may from time to time require of him and shall have such authority as the Board of Directors may from time to time vest in him.

**Section 10. Bonds of Officers.** The Board of Directors shall require the treasurer or any other officer 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 of Directors shall determine. The Board of Directors 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.

**Section 11. Compensation.** The compensation of any pay grade of the Cooperative shall be approved by the Board of Directors.

**Section 12. Reports.** The officers of the Cooperative shall submit at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## **ARTICLE VI**

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

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

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

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

## ARTICLE VII Membership Certificates

**Section 1. Certificates of Membership.** Membership in the Cooperative shall be evidenced by a Certificate of Membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these Bylaws. Such certificate shall be signed by the Chairman and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto.

**Section 2. Issue of Membership Certificates.** No membership certificates shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer.

**Section 3. Lost Certificates.** In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

## ARTICLE VIII Non-Profit Operation

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

**Section 2. Patronage Capital in Connection with Furnishing Electric Services (Patronage Business).**

- (a) In the furnishing of Patronage Business, 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 its patrons for all amounts received and receivable from, and directly related to, the furnishing of electric services in excess of operating costs and expenses properly chargeable against such services, hereinafter referred to as margins from patronage business. All such margins from patronage business, at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such margins. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account.
- (c) 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 the Cooperative corresponding amounts for capital.
- (d) If the costs and expenses exceed the amounts received and receivable from patronage business, hereinafter referred to as "loss", then the Board shall have the authority under accepted accounting practices, loan covenants and tax law to prescribe the manner in which such loss shall be handled.
- (e) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtednesses of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to both current and former patrons' accounts may be retired in full or in part. The Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital. Such method, basis, priority and order of retirement considered by the Board may include the retirement of amounts furnished as capital at a discount.
- (f) When the capital credits of any patron no longer receiving service from the Cooperative comes to a total amount of less than a fixed sum determined by the Board of Directors, the same shall be retired in full with such retirements made only when and at the same time that general retirement to other patrons is made. During a general capital credit retirement, no checks shall be issued for less than a fixed amount determined by the Board, and the amount of such unretired capital credits will be retired in the first following year when the total amount of capital credits qualifying for retirement exceeds that amount set by the Board, including the amount carried over.
- (g) Patronage capital ordered to be retired by the Board of Directors shall from the date of such order constitute an indebtedness of the Cooperative to the patron, the patron's heirs, executors or assigns. Such indebtedness shall be enforceable by the patron, the patron's heirs, executors or assigns, against the Cooperative in accordance with the laws of the State of Texas. In opposition to any effort to collect such indebtedness, the Cooperative may assert any defense thereto available to it under the laws of the State of Texas.
- (h) After perfection, to secure payment of any amounts owed by a patron, or former patron to the Cooperative, including any reasonable

compounded interest and late payment fee, determined by the Board, the Cooperative has a perfected security interest in the Capital Credits of every patron and former patron. Before retiring and redeeming 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.

- (i) Capital credited to the account of each patron shall be assignable only on such terms and conditions and under such circumstances as the Board of Directors acting under policies of general application, or the laws of the State of Texas shall direct, and nothing contained herein shall give unto any patron a vested right to assign any part of such capital credit. Patrons at any time may irrevocably assign their capital credits back to the Cooperative. Such irrevocable assignment and contribution of capital shall not be allocated to the patrons and is distributable only upon dissolution of the Cooperative pursuant to the property rights of patrons. The Board is authorized, but not required, to negotiate capital credit settlement arrangements with estates of deceased natural persons, and/or inactive Patrons.
- (j) Any attempt to assign or transfer the capital credited to the account of a patron pursuant to state or federal law is subject to a right of first refusal vested in the Cooperative for a period of sixty (60) days following notice to the Cooperative of a proposed transfer of such capital to the extent the Cooperative meets any compensation terms of the proposed transfer.
- (k) 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 3. Margins from Non-Patronage Business.** All amounts received in excess of costs and expenses other than from patronage business, insofar as permitted by law, shall be used by the Cooperative (1) to offset any losses incurred during the current or any prior fiscal year, (2) as retained capital not assignable to the members except in the event of dissolution of the Cooperative, and (3) to the extent not needed for these purposes, allocated to the patrons on a patronage basis at the discretion of the board.

**Section 4. Patronage Capital Policies.** The Board has the authority to determine through policy which services are included in the definition of patronage business. The Board also has the authority to determine the kind, timing, method and type of allocation; provided however, that such methods are fair and equitable on the basis of patronage. Such allocation methods may include separate allocation units for recognizing differences in contributions to margins among rate classes and/or services provided. Nothing herein contained shall prevent the Cooperative from establishing subsidiaries that are wholly owned by the Cooperative and operated as a separate Cooperative or Corporation.

**Section 5. Definitions.** As used in this Article, "patron" shall mean (1) a member in accordance with the provisions of these Bylaws and (2) a non-member to whom the Cooperative furnishes electric energy on a patronage basis by authorized contractual authority.

## ARTICLE IX Waiver of Notice

Any member or director may waive, in writing, any notice of meetings required to be given by these Bylaws.

## ARTICLE X Disposition of Property

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

- (a) Property which in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Cooperative's systems and facilities provided, however, that all sales of such property shall not in any one year exceed in value 10% of the value of all of the property of the Cooperative;
- (b) Cooperative Services of all kinds, including electric energy; and
- (c) Personal property acquired for resale;

unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members by the affirmative vote of at least 51% of all the members of the Cooperative voting in person, and the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money, and in connection with such borrowing, to authorize the making and issuance of bonds, notes, or other evidence of indebtedness, and, to secure the payment thereof, 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, all upon such terms and conditions as

the Board of Directors shall determine, provided however, that so long as the Cooperative is indebted to the United States of America, or any agency thereof, no encumbrance of the Cooperative's property shall be created without the consent of the United States of America or the applicable agency thereof. The Policy on Offers to Acquire All or Substantially All of the Cooperative's Assets shall not be amended or repealed except by the affirmative vote of 2/3 of all directors.

**ARTICLE XI**  
**Fiscal Year**

The fiscal year of the Cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

**ARTICLE XII**  
**Memberships In Other Organizations**

The Cooperative may become a member of, or purchase stock in any other organization upon the authorization of a majority of the Board of Directors present.

**ARTICLE XIII**  
**Seal**

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

**ARTICLE XIV**  
**Amendments**

These Bylaws may be altered, amended or repealed by not less than the affirmative vote of 2/3 of all of the Board of Directors at any regular or special meeting.