

BYLAWS
and
ARTICLES OF INCORPORATION
of
LAMB COUNTY ELECTRIC COOPERATIVE, INC.

effective

MAY 2022

ARTICLE I

MEMBERSHIP

SECTION 1.01 ELIGIBILITY

Any natural or legal person, firm, association, corporation, business trust, partnership, Federal agency, state or political subdivision thereof, or any body politic (each hereinafter referred to as "person", "applicant", "him" or "his") shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him, to receive electric service from Lamb County Electric Cooperative, Inc. (hereinafter called the "Cooperative"). No person shall hold more than one membership in the Cooperative.

SECTION 1.02: APPLICATION FOR MEMBERSHIP
RENEWAL OR PRIOR APPLICATION

Applicant shall complete an application for membership wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Articles of Incorporation and Bylaws, and all rules, regulations and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called the "membership obligations")--such application shall be made on such form as provided therefore by the Cooperative. With respect to any particular classification or service for which the board of directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any) shall be refunded in the event the application is not approved. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the state legal rate on judgments in effect when such account first

became overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

SECTION 1.03: MEMBERSHIP FEE; SERVICE SECURITY AND FACILITIES
DEPOSITS; CONTRIBUTION IN AID OF CONSTRUCTION

The membership fee shall be as fixed from time to time by the board of directors. The membership fee (together with any service security deposit, or service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid of construction, if required by the Cooperative), shall be paid by the member for each additional service connection requested by him. Any fee, deposit, or contribution required to initiate service shall be paid in advance of any construction or connection of facilities.

SECTION 1.04 - JOINT MEMBERSHIP

A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1.01, 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 any 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 or both shall constitute, respectively, one joint vote, but only one vote may be cast.
- (c) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice;
- (d) suspension or termination in any manner of either or both shall constitute, respectively, suspension or termination of the joint membership; and
- (e) either, but not both concurrently, shall be eligible to serve as a director of the Cooperative, but only if both meet the qualifications required therefore.
- (f) neither will be permitted to have any additional service connections except through their one joint membership.

- (g) A membership may converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his/her spouse to comply with the Articles of Incorporation and Bylaws of the Cooperative and any amendments made thereto and rules and regulations adopted by the Board of Directors.

SECTION 1.05 - ORGANIZATIONAL MEMBERSHIPS

A non-natural entity or organization may apply or continue membership in the Cooperative pursuant to the requirements for membership specified in Section 1.01 of 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 interests.

SECTION 1.06 - ACCEPTANCE INTO MEMBERSHIP

Upon complying with the requirements set forth in Section 1.02, any applicant shall by board resolution be accepted into membership in, and become eligible to receive electric service from the Cooperative, unless the board of directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application shall be rejected for other good cause; PROVIDED, that any person whose application, for sixty (60) days or longer, has been submitted to but not approved by the board of directors, may by filing written request therefor with the Cooperative at least three (3) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 1.06 - PURCHASE OF ELECTRIC POWER AND ENERGY: POWER PRODUCTION BY MEMBER: APPLICATION OF PAYMENTS TO ALL ACCOUNTS

The Cooperative shall use its best efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the board of directors may in writing waive such requirement, and shall pay therefor at the time, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount they may be charged without regard to the amount of electric power and energy actually used) established by the board of directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.01. 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. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment for

service to him by the Cooperative shall be deemed to be allocated and credited to his outstanding accounts for all such service connections notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation.

SECTION 1.07 - EXCESS PAYMENTS TO BE CREDITED AS MEMBER-FURNISHED CAPITAL

All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of the bylaws.

SECTION 1.08 - WIRING OF PREMISES: RESPONSIBILITY THEREOF: RESPONSIBILITY FOR METER-TAMPERING OR BYPASSING AND FOR DAMAGE TO COOPERATIVE PROPERTIES: EXTENT OF COOPERATIVE RESPONSIBILITY: INDEMNIFICATION

Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the National Electric Code, any applicable state code or legal government ordinances, and of the Cooperative. Each member shall be responsible for -- and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of - - such premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

SECTION 1.09 - MEMBER TO GRANT EASEMENTS TO COOPERATIVE AND TO PARTICIPATE IN REQUIRED COOPERATIVE LOAD MANAGEMENT PROGRAMS

Each member shall, upon being requested to do so by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to him for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. Each member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

SECTION 1.10 - 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 II

MEMBERSHIP SUSPENSION AND TERMINATION AND REPAYMENT OF FEES,
DIVIDENDS AND CLAIMS

SECTION 2.01 - SUSPENSION; REINSTATEMENT

Upon his failure, after expiration of the initial time limited prescribed either in a specific notice to him or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other noncompliance with his membership obligations, a person's membership shall automatically be suspended; and he shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice of rules and regulations plus accrued interest thereon at the state legal rates on judgments in effect when such account first became overdue, compounded annually shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meeting of its members.

SECTION 2.02 - TERMINATION BY EXPULSION: RENEWED MEMBERSHIP

Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by the board of directors by a two-thirds majority vote of all directors at any subsequently held regular or special meeting of the board. Any person so expelled may, by delivering written notice to the effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be

reinstated retroactively to at least the date of his expulsion. After any finally effective expulsion of a member, he may not again become a member except upon new application therefore duly approved as provided in Section 1.05. The board of directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations.

SECTION 2.03 - TERMINATION BY WITHDRAWAL OR RESIGNATION

A member may withdraw from membership upon such generally applicable conditions as the board of directors shall prescribe and upon either (a) ceasing to (or, with the approval of the board of directors, resigning his membership in favor of a new applicant, who also shall) own or directly occupy or use all premises being furnished electric service pursuant to his membership, or (b) except when the board of directors specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises. The membership of a member who for a period of six months after service is available to him and not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be canceled by resolution of the board.

SECTION 2.04 - TERMINATION BY DEATH OR CESSATION OF EXISTENCE; CONTINUATION OF MEMBERSHIP IN REMAINING OR NEW PARTNERS

Except as provided in Section 2.06, the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership; provided that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly occupy or use premises being furnished electric service pursuant to such membership in the same manner and the same effect as though such membership had never been held by different partners; PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

SECTION 2.05 - EFFECT OF TERMINATION

Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee (and to his service security deposit, if any, theretofore paid the Cooperative), less any amounts due the Cooperative; but neither he nor his estate, nor any former partner of a partnership member or his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Section 2.02 and 2.03, such suspension or expulsion shall not, unless the board of directors shall expressly so elect, constitute such release of such person from his membership obligation as to entitle him to purchase from any other person may central station electric power and energy for use at the premises to which such service and theretofore been furnished by the Cooperative pursuant to such membership.

SECTION 2.06 - EFFECT OF DEATH, LEGAL SEPARATION OR DIVORCE UPON A JOINT MEMBERSHIP

Upon the death of either spouse of a joint membership, such membership shall constitute to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the estate of the deceased shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continue directly to occupy or use the premises covered by such membership, in the same manner and the same effect as though such membership had never been joint; PROVIDED, that the other spouse shall not be released from debts due the Cooperative.

SECTION 2.07 - BOARD ACKNOWLEDGMENT OF MEMBERSHIP TERMINATION; ACCEPTANCE OF MEMBERS RETROACTIVELY

Upon the termination of a person's membership for any reason, the Board of Directors, so soon as practical after such termination is made known to it, shall be appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the board of directors approves, membership retroactively to the date on which such person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly. Such person shall have an opportunity to be heard, at a meeting of the board, in person or by counsel.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 3.01 - ANNUAL MEETING

For the purpose of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held during the third quarter of each year, at such place within the counties of Castro, Cochran, Hale, Hockley or Lamb in the state of Texas, and beginning at such hour, as the board of directors shall from year to year fix; PROVIDED, that, for cause sufficient to it, the board of directors may fix a different date for such annual meeting not more than thirty (30) days prior or subsequent to the day otherwise established for such meeting in this section. It shall be the responsibility of the board of directors to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02 - SPECIAL MEETINGS

A special meeting of the members may be called by resolution of the board or upon

written request signed by not less than 15% percent 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 in Section 3.03. Such a meeting shall be held at such place in one of the counties in Texas within which the Cooperative serves, on such date, not sooner than forty (40) days after the call for such meeting is made or a petition therefor is filed, and beginning at such hour as shall be designated by him or those calling or petitioning for the same.

SECTION 3.03 - NOTICE OF MEMBER MEETINGS

Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than ten (10) days nor more than thirty days prior to the date of the meeting, by any reasonable means, by the Secretary. Reasonable means of providing such notice shall include but not be limited to United States mail, personal delivery, and Cooperative's periodic newsletter, or member service billings. Notice of the membership meeting shall contain the purpose or purposes for which the meeting is called. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid and, whether mailed first-class or not, post marked at least ten (10) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and non-intended failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the expressed purpose of objecting to the transaction of business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

SECTION 3.04 - QUORUM

When the total number of members exceeds 1,000, business may not be transacted at any meeting of the members unless there are present in person at least one hundred (100) of the Cooperative's members, except that, 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. If the total number of members is less than 1,000 members, then the quorum requirement is as required in Article VIII, Section 2, of the Articles of Incorporation. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those who were registered as present.

SECTION 3.05 - VOTING

Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are a natural person shall be allowed upon the presentation to the Cooperative, upon registration at, each member meeting of satisfactory evidence entitling the person presenting the same to

vote. At all meetings of the members, all questions shall be decided by majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation of these bylaws. Multiple choice issues or determinations shall be decided by a plurality vote. Members may not cumulate their votes or vote by proxy or mail.

SECTION 3.06 - VOTING BY MAIL OR ELECTRONIC VOTING

From time to time an occasion will arise where it is necessary for the Cooperative to require a mail-in ballot or electronic ballot from its members, allowing them to cast ballots as to their wishes regarding such things as regulatory matters as well as other issues that may arise. It will be at the discretion of the Board of Directors as to when and what issues may be voted on by the mail-in ballot or electronic ballot method. The Board shall develop the process for mail-in or electronic balloting when in the best interest of the Cooperative.

SECTION 3.07 - ORDER OF BUSINESS

The order of business at the annual meeting of the members, and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (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 giving thereof, or of 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, directors and committees;
- (5) Election of Board members;
- (6) Unfinished business;
- (7) New business; and
- (8) Adjournment

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

SECTION 3.08 - CREDENTIALS AND ELECTION COMMITTEE

The board of directors, shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee consisting of up to four(4) members who are not existing Cooperative officers, directors, or known candidates for director, and who are not close relatives (as hereinafter defined) or members of the same household of Cooperative officers, existing directors or known candidates for directors. The board shall appoint one member from each of the director districts in which director's terms are expiring and one member-at-large to serve on the committee. The committee may elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the committee to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other manner, to rule upon the effect of any ballots or other vote irregularity or indecisively marked or cast, to rule upon all other questions that may arise relating to members voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors), and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of the meeting in which the voting is conducted. The committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The committee shall hear such evidence as is presented by the protestor(s) or objective(s), who may be heard in person, by counsel, or both; and the committee, by a vote of a majority of those present and voting, shall, within, a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be either to affirm or change the results of the election or to set aside such election. The committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this section shall be final. Without limiting the foregoing duties and prerogatives of the committee, on request of the person presiding at the meeting of the members or on the request of any member entitled to vote thereat, such committee shall make a report in writing of any challenge, question, count, or matter determined by the committee and execute a certificate of any fact found by them. Any such report or certificate made by the committee shall be prima-facie evidence of the facts stated and of the certified vote of the committee. Any committee member who is a close relative of any candidate for director shall refrain from participating in any deliberation or vote of the committee concerning such candidate.

ARTICLE IV

DIRECTORS

SECTION 4.01 - NUMBER AND GENERAL POWERS

The business and affairs of the Cooperative shall be managed by a board of seven (7) directors. The board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or bylaws conferred upon or reserved to the members.

SECTION 4.02 QUALIFICATIONS

A. General Director Qualifications

1. Be a natural person.
2. Have the capacity to enter legally binding contracts.
3. While a director, and during the five years immediately prior to becoming a director, not be convicted of, or plead guilty to, a felony or two(s) misdemeanors: or found guilty of any offense involving moral turpitude.
4. Directors are encouraged to earn a Credentialed Cooperative Director designation, a Director's certification from the National Rural Electric Cooperative Association, or a similar certification approved by the Board of Directors.
5. Comply with any other reasonable qualifications determined by the board of directors.
6. No person who has been nominated for the position of director during the past two years will be eligible to be nominated for the position of director, except an incumbent director filling a unexpired term.
7. No natural person will be eligible to be elected to represent more than one district at any given time.
8. No person will be eligible to serve as a director of the Cooperative unless he/she is a year-round resident within ten (10) airline miles of the director district he/she is elected to represent.
9. No person will be eligible to serve as a director who is an incumbent of an elected public office in connection with which a salary is paid, is an employee of the Cooperative or an entity controlled by the Cooperative or a former employee of the Cooperative or an entity controlled by the Cooperative who was terminated for cause. A former employee who was not terminated for cause may become eligible to become a director no sooner than a date three (3) years from the time the member's employment with the Cooperative or Cooperative controlled entity ended.

B. Membership Director Qualifications

1. Natural Person Members

- a. While a director, and during the one year immediately prior to becoming a director, a director candidate must:

- 1) Be a member of the Cooperative in good standing, and
 - 2) Have been personally and continuously purchasing electric service from the Cooperative for more than one year.
- b. Should a member reside within the service area of the Cooperative, that member will only be eligible to be elected to represent that district in which he/she resides.
 - c. Should a member not reside within the service area of the Cooperative, that member is eligible to be elected to represent only that district in which he/she has the most active meters. (Should this method be indecisive, then the director district that a member will be eligible to represent will be that district in which he/she purchased the greatest number of kilowatt-hours during the past twelve months.)

2. Non-Natural Person Member

A non-natural person member who:

- a. is a member of the Cooperative in good standing, and
- b. has been continuously purchasing electric service from the Cooperative during the past year, may authorize by written documentation one person to be eligible to be elected to represent that district in which such non-natural person has the most active meters. (should this method be indecisive, then the director district that the authorized person will be eligible to represent will be that district in which such non-natural person purchased the greatest number of kilowatt-hours during the past twelve months); PROVIDED that the individual who would serve as director meets all of the qualifications set out in Section 4.02 A, C, and D.
- c. There can be no more than two (2) current directors that are representing non-natural person members.

C. Conflict of Interest Director Qualifications

While a director, and during the one year immediately prior to becoming a director, a director or director candidate must not be, nor have been:

1. A close relative of any existing director;
2. An existing, or close relative of an existing, non-director cooperative officer, employee, agent or representative;
3. Employed by, materially affiliated with, or share a material financial

interest with, any other director; or

4. Engaged in, nor employed by, materially affiliated with, or have a material financial interest in, any individual or entity:
 - a. Directly and substantially competing with the Cooperative; or
 - b. Possessing a substantial conflict of interest with the Cooperative.

D. Continuing Director Qualifications

1. Only natural persons complying with the General Director Qualifications, Membership Director Qualifications, and Conflict of Interest Director Qualifications may serve, or continue to serve, as a director.
2. Upon establishment of the fact that a nominee for a director lacks eligibility under this section or as may be provided elsewhere in these bylaws, it shall be the duty of the chairman presiding at the meeting of members at which such nominee would otherwise be voted upon to disqualify such nominee.
3. After being elected or appointed a director, if any director fails to comply with any director qualification, as reasonably determined by the board of directors, then the board of directors is authorized to, and shall, remove the director then, unless otherwise determined by the board of directors for good cause. If at least a majority of directors authorized by these bylaws comply with the director qualifications and approve a board action, then the failure of any director to comply with all director qualifications does not affect the board action.
4. To remain a director, the encumbant must (1) attend at least two-thirds of the regular monthly board meetings during each 12 month period, beginning with the month of his/her election, unless the remainder of the board excuses such violation because of medical or personal emergency reasons; and (2) during each three-year term at least three board approved national, state or regional meetings, workshops and/or seminars related or pertaining to continuing education, training, or industry informational updating, unless the remainder of the board excuses such violation because of medical or personal emergency reasons.

SECTION 4.03 - ELECTION

At each annual meeting of the members, directors shall be elected by secret written ballot by the members and from among those individuals who are qualified to serve as a director as provided in 4.02. Directors shall be elected by a plurality of the votes cast unless the members in advance of any balloting resolve that the majority of all the members present and voting be required to elect; and the presiding chairman shall cause the foregoing provisions of the section to be duly and timely announced to the members. Drawing by lot shall resolve, where necessary, any tie votes. In any year which any of the nominees, as determined in 4.06, do not have formal challenges for the position after the posted deadline for nominating petitions, secret balloting for that

position may be dispensed with respect to the election and voting may be conducted in any other proper manner. However, (1) if the director nomination process is concluded, and (2) in the event a director election is uncontested, then the members, or board of directors, may suspend the election for any such uncontested races, and deem the uncontested director candidate as duly elected.

SECTION 4.04 - TENURE

Directors shall be so nominated and elected that one director from each of the director districts shall be elected for three-year terms at an Annual Membership Meeting. Director's terms shall be staggered so that the terms of up to three directors shall expire annually. Upon their election, directors shall, subject to the provisions of these bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successor shall have been elected and shall have qualified. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or at the next annual meeting of the members. Failure of an election for a given year shall allow the incumbent whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

SECTION 4.05 - DIRECTOR DISTRICTS

The service area of the Cooperative shall be divided into seven (7) director districts, each of which shall contain approximately the same number of members. Each district shall be represented by one director. Periodically, as determined by the board of directors not less than 90 days prior to the annual membership, shall review the districts for their compliance with this provision and make necessary boundary changes. Should the boundary lines of any one or more districts be adjusted, the affected members will be notified and these bylaws amended accordingly; PROVIDED, however, that no such amendment shall become effective so as to cause the vacancy of any director's office prior to the time his term would normally expire unless he consents thereto in writing. The seven districts shall be as follows:

DISTRICT I

District I includes the area served by the Cooperative bounded by a line beginning at a point (2) miles south of Highway 168 and Highway 37 in Hart Camp. Thence in a westerly direction to Highway 1072. Thence in a northerly direction to a point being (6) miles north of Fieldton, Texas. Thence westerly to the Cooperative's boundary line. Thence in a northerly direction, easterly direction, southerly direction, easterly direction, northerly direction, westerly direction, northerly direction, easterly direction, and southerly direction to a point approximately (8 ¼) miles east and (2) miles south of Hart Camp, Texas. Thence westerly to the point of beginning.

DISTRICT II

District II includes the area served by the Cooperative bounded by a line beginning at a point in the Cooperative's boundary and the intersection of Highway 84 and FM

3216 near Amherst, Texas. Thence in southerly direction to a point being (3) miles south of the intersection of Highway 54 and Highway 1490. Thence in an easterly direction to a point being (2) miles south of the city limits of Littlefield, Texas and being Highway 385. Thence in a southerly direction to a point being (1) mile north of Whitharral, Texas. Thence in a westerly direction to a point being (4 ½) miles north of the intersection of FM 303 and India Road and also be the Cooperative's boundary line. Thence in a southerly direction to a point being (1 ½) miles east of Pettit, Texas. Thence in a westerly direction to the Cooperative's boundary line with Bailey County Electric Cooperative. Thence in a northerly and easterly direction following the Cooperative's boundary line to a point being (5) miles north of FM1055 and (1/2) mile east of Amherst, Texas. Thence in a southerly direction to the Cooperative's boundary line. Thence in an easterly direction and southerly direction following the Cooperative's boundary line to the point of beginning.

DISTRICT III

District III includes the area served by the Cooperative bounded by a line beginning at a point being (2) miles south and (1) mile west of the intersection of Highway 168 and FM 37 in Hart Camp, Texas. Thence in a westerly direction to Highway 1072. Thence in a northerly direction to a point being (6) miles north of Fieldton, Texas. Thence in a westerly direction to the Cooperative's boundary line. Thence following the Cooperative's boundary line in a westerly direction to a point being (5) miles north of Highway 1055 and (1/2) mile east of Amherst, Texas. Thence in a southerly direction to the Cooperative's boundary line. Thence in an easterly direction and southerly direction following the Cooperative's boundary line to Highway 84. Thence in an easterly direction (2 ¾) miles to a point. Thence in a southerly direction being (3) miles south of the intersection of Highway 54 and FM 1490. Thence in an easterly direction to a point being (3 ½) miles south and (3/4) mile west of the intersection of Highway 54 and FM 168. Thence in a northerly direction to the point of beginning.

DISTRICT IV

District IV includes the area served by the Cooperative bounded by a line beginning at a point (2) miles south of Highway 168 and FM 37 in Hart Camp, Texas. Thence in a southerly direction to a point being (3) miles south and (3/4) mile west of the intersection of Highway 54 and FM 168 in Spade, Texas. Thence in a westerly direction to a point being (2) miles south of Littlefield, Texas and seed point being Highway 385. Thence in a southerly direction to a point being the intersection of County Road and Sun Rise Lane. Thence in an easterly direction (1) mile. Thence in a southerly direction (2) miles. Thence in a westerly direction (3/4) mile. Thence in a southerly direction (1/2) mile. Thence in an easterly direction (3) miles. Thence in a northerly direction to a point being the intersection of FM 1294 and FM 2646. Thence in an easterly direction (2) miles. Thence in a northerly direction to a point being the intersection of FM 1072 and County Road 352. Thence in an easterly direction to the Cooperative's boundary line with South Plains Electric Cooperative. Thence in a northerly direction following the Cooperative's boundary line to a point being (1) mile west of the intersection of FM 179 and FM 37. Thence in a westerly direction to the point of beginning.

DISTRICT V

District V includes the area served by the Cooperative bounded by a line beginning at a point (1) mile north of Whitharral, Texas and Highway 385. Thence in a westerly direction to a point being (4 ½) miles north of the intersection of FM 303 and India Road and also the Cooperative's boundary line. Thence in a southerly direction to a point being (1 ½) miles east of Pettit, Texas. Thence in a southerly direction to a point being (1 ½) miles east of Pettit, Texas. Thence in a westerly direction to the Cooperative's boundary line with Bailey County Electric Cooperative. Thence in a southerly direction, westerly direction, southerly direction, easterly direction along the Cooperative's boundary line to a point being the intersection of Highway 385 and Alaska Road. Thence in an easterly direction to County Road. Thence in a southerly direction to the Cooperative's boundary line. Thence easterly and southerly to a point in the Cooperative's boundary line, said point also being Mockingbird Lane. Thence in an easterly direction to a point being (1/2) mile west of Barton Lane and (1/2) north of Highway 114. Thence north to a point being (1/2) mile south of Sunrise Lane and (1/2) mile west of Barton Lane. Thence in a westerly direction to County Road. Thence in a northerly direction to the point of beginning.

DISTRICT VI

District VI includes the area served by the Cooperative bounded by a line beginning at a point being the intersection of FM 1072 and County Road 352. Thence in a southerly direction to a point being the intersection of Fisher Road and FM 1294. Thence in a westerly direction to the intersection of FM 1294 and FM 2646. Thence in a southerly direction to a point being the south side of Highway 114. Thence in a westerly direction to South Barton Lane. Thence in a southerly direction to the intersection of South Barton Lane and Bear Road. Thence in a westerly direction to a point being (3/4) mile west of FM 3261. Thence in a southerly direction to the Cooperative's boundary line. Thence in an easterly direction, northerly direction, easterly direction, northerly direction to a point being County Road 352. Thence in a westerly direction to the point of beginning.

DISTRICT VII

District VII includes the area served by the Cooperative bounded by a line beginning at the intersection of Bear Road and FM 3261. Thence in an easterly direction to the intersection of South Barton Lane and Bear Road. Thence in a northerly direction to a point being on the south side of Highway 114. Thence in a westerly direction to County Road. Thence in a northerly direction to East Ellis Street. Thence in a westerly direction to Alamo Road. Thence in a southerly direction and easterly direction along the Cooperative's boundary line to Bison Road. Thence in a northerly direction to a point being (3/4) mile west of FM 3261 on Bear Road. Thence in an easterly direction to the point of beginning.

SECTION 4.06 - NOMINATIONS

A. Nominations by Nominating Committee:

1. It shall be the duty of the board of directors to appoint, not less than thirty (30)

days nor more than two hundred (200) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of two members from each district from which, according to these bylaws, a director will be elected at the next meeting of the members.

2. In order to serve on this committee, a member must be eligible to represent the district from which he/she is appointed as set forth in Section 4.02 B of these bylaws.
3. No member of the board of directors or known candidates for director or their close relatives may serve on this committee.
4. The committee shall meet at a time and place designated by the Coop, but not less than twenty-five (25) days before the next scheduled meeting of the members. Attendance by a quorum of the appointed members is required, whether such be in person, by telephone, or by any means of electronic teleconference (e.g. Skype). A chairman shall first be elected before proceeding with the nomination process. The coop shall provide counsel as needed for the purpose of advising the committee at the meeting.
5. The committee will make one or more nominations for each expiring directorate.
6. All persons nominated by the committee must demonstrate their acceptance of such nomination by executing and providing a Director Nominee Affidavit on Director Qualifications to the Cooperative within 10 days after such nominations is made.
7. A person's nomination will be considered withdrawn if he/she either notifies the Chairman of the Committee of his/her withdrawal or fails to execute and provide the Cooperative with a Director Nominee Affidavit of Director Qualifications within 10 days after being nominated by the committee. Persons whose nomination has been withdrawn under either of the withdrawal provisions of the paragraph will be considered to not have been nominated for the position of director by the committee.
8. Should one or more persons nominated by the committee withdraw their nomination, the committee will, if time permits, meet again for the purpose of replacing such nominees. If time does not permit for the committee to meet and make replacement nominations, the requirement that the committee will make two or more nominations for each expiring directorate will be waived.
9. The committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days prior to the meeting, a list of nominations for directors to be elected, listing separately the nominee or nominees with respect to such director district which they are eligible to represent according to these bylaws.

B. Nominations by Petition:

1. Any fifteen (15) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures not less than thirty

(30) days prior to the meeting, and the Secretary shall post such nominations made by the committee is posted.

2. For a person to be considered as being nominated by the petition, that person must demonstrate their acceptance of such nomination by executing and providing a Director Nominee Affidavit of Director Qualifications to the Cooperative not less than thirty (30) days prior to the meeting.

C. Notice of Nominations by Committee or Petition:

The Secretary shall mail to all members of the Cooperative with the notice of the meeting, or separately, but not less than ten (10) days prior to the date of the meeting, a statement indicating the director districts from which directors are to be elected and the names of those members who have been nominated either by the nominating committee or by petition and have not had these nominations withdrawn.

D. Nominations from the Floor:

There shall be no nominations from the floor during the Annual Membership Meeting.

- E. Prior to taking a vote for director from a particular district, the chairman shall ascertain and announce the name of members that are eligible to be voted upon for the office of director subject to Section 406, Subsections A, B, or D of these bylaws.
- F. Notwithstanding the provisions contained in this section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the board of directors after the election of directors.

SECTION 4.07 - VOTING FOR DIRECTORS; VALIDITY OF BOARD ACTION

In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of directors to be elected, but no member may vote for more nominees that the number of directors that are to be elected from or with respect to any particular directorate district. Ballots marked in violation of the foregoing restriction with respect to one or more directorate districts shall be invalid and shall not be counted with respect to such district or districts. Notwithstanding the provisions contained in this section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the board of directors after the election of directors.

SECTION 4.08 - REMOVAL OF DIRECTORS BY MEMBERS

Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the secretary such charge(s) in writing together with a petition signed by not less than fifteen (15) percent of the total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act on such charges and, if one or more directors are recalled, to elect their

successor(s) and specifies the place, time and date thereof not less than forty (40) days after filing of such petition, or which requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon, PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have the opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor; PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. No more than three (3) directors may be replaced under the provisions in this section in one calendar year. A newly elected director shall be from or with respect to the same directorate district as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

SECTION 4.09 – VACANCIES

Subject to the provisions of these bylaws with respect to the removal of directors, vacancies occurring in the board of directors shall be filled by a majority vote of the remaining directors and directors thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and qualified; PROVIDED, that such a director shall be from and with respect to the same directorate district as was the director whose office was vacated.

SECTION 4.10 - COMPENSATION; EXPENSES; INDEMNIFICATION

Directors shall on a per diem basis receive such fees, which may include insurance benefits, as is fixed by resolution of the board of directors. For the performance of their duties, including conferences, training programs and other meetings, directors shall also receive advancement or reimbursement incurred, in accordance with the Cooperative's established policies covering such. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close

relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the unanimous vote of the remaining directors upon their certification of such as an emergency measure; PROVIDED, that a director who is also an officer of the board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the unanimous vote of the remaining directors. The Cooperative shall indemnify its directors, officers, agents, and employees, and may purchase insurance to cover such indemnification, against all liability arising out of their acts in their official capacities if they shall have acted in good faith and deemed such acts to be in the best interests of the Cooperative or not against its best interests.

SECTION 4.11 - RULES, REGULATIONS, RATE SCHEDULES AND CONTRACTS

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

SECTION 4.12 - ACCOUNTING SYSTEM AND REPORTS

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

SECTION 4.13 - CLOSE RELATIVE DEFINED

As used in these bylaws, "close relative" means a person who by blood or in law, including step, half, foster and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.

SECTION 4.14 - CATASTROPHIC LOSS OF BOARD MEMBERS AND QUORUM DURING CATASTROPHY

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 120 days, individuals qualified to serve as board members pursuant to Section 4.03 hereof from each of the director positions which suffered a 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 or less board members remain, the remaining board member(s), or if no board member 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 specifically 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.

In the event of a catastrophic loss as defined within this section, 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 action of the board during this time period, shall stand for ratification at the next board meeting wherein a traditional quorum is present.

ARTICLE V

MEETINGS OF DIRECTORS

SECTION 5.01 - REGULAR MEETINGS

A regular meeting of the board of directors shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the board in advance of the annual member meeting. A regular meeting of the board of directors shall also be held monthly at such date, time, and place within one of the counties served by the Cooperative within the State of Texas as the board may provided by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice; PROVIDED, that any director absent from any meeting of the board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the board; AND PROVIDED FURTHER that, by policy established by the board, the President may change the date, time or place of a regular monthly meeting for good cause and upon at least five (5) day's notice thereof to all directors.

SECTION 5.02 - SPECIAL MEETINGS

Special meetings of the board of directors may be called by board resolution, by the President, or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The board, the President, or the directors calling the meeting shall fix the date, time, and place for the meeting, which shall be held in one of the counties served by the Cooperative in the State of Texas unless all directors consent to its being held in some other place.

SECTION 5.03 - NOTICE OF DIRECTOR'S MEETINGS

Written notice of the date, time, place and purpose or purposes of any special meeting

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

SECTION 5.04 - QUORUM

The presence in person of a majority of the directors in office shall be required for the transaction of business, and, except where these bylaws provide otherwise with respect to specific matters, the affirmative votes of at least a majority of the directors present shall be required for any action to be taken; PROVIDED, that a director who by law or these bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of an action upon that matter, be counted in determining the number of directors in office or present; AND PROVIDED FURTHER, that, if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

ARTICLE VI

OFFICERS; MISCELLANEOUS

SECTION 6.01 - NUMBER AND TITLE

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

SECTION 6.02 - ELECTION AND TERM OF OFFICE

The four officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the board of directors at the first meeting of the board held after the Annual Meeting of the Members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the board first held after the next succeeding Annual Meeting of the Members or until his successor shall have been duly elected and shall have qualified, subject to the provision of the bylaws with respect to the removal of directors by the members and to the removal of officers by the board of directors. Any other officers may be elected by the board from among such persons, and with such title, tenure, responsibilities, and

authorities, as the board of directors may from time to time deem advisable.

SECTION 6.03 – REMOVAL

Any officer, agent or employee elected or appointed by the board of directors may be removed by the board whenever in its judgment the best interests of the Cooperative will thereby be served. However, such removal shall not be effectuated inconsistently with any written contract between the Cooperative and such officer, agent, or employee unless he so consents. Such officer, agent or employee shall have an opportunity at the meeting to be heard.

SECTION 6.04 - VACANCIES

A vacancy in any office elected or appointed by the board of directors shall be filled by the board for the unexpired portion of the term.

SECTION 6.05 - PRESIDENT

The President shall -- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the board of directors, and, unless determined otherwise by the board of directors, at all meetings of the members; (b) sign with the Secretary, 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 these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and in general perform all duties incident to the office of President and such other duties as may be prescribed by the board of directors from time to time.

SECTION 6.06 - 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; and shall perform such other duties as from time to time may be assigned to him by the board of directors.

SECTION 6.07 - SECRETARY

The Secretary shall -- (a) keep, or cause to be kept, the minutes of meetings of the members and of the Board of Directors in books provided for that purpose; (b) see that all notices are duly given in accordance with these bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents, the execution of which, on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of these bylaws or is required by law; (d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member; (e) have general charge of the books of the Cooperative in which a record of the members is kept; (f) keep on file at all times a complete copy of the Cooperative's Articles of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at

the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and (g) in general, perform 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 of directors.

SECTION 6.08 – TREASURER

The Treasurer shall -- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative; (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or securities as shall be selected in accordance with the provisions of these bylaws; and (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the board of directors.

SECTION 6.09 - DELEGATION OF SECRETARY'S AND TREASURER'S RESPONSIBILITIES

Notwithstanding the duties, responsibilities, and authorities of the Secretary and of the Treasurer hereinbefore provided in Section 6.07 and 6.08, the board of directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the board does so delegate with respect to either such officer, that officer as such shall be released from such duties, responsibilities, and authorities.

SECTION 6.10 - GENERAL MANAGER

The board of directors may appoint a General Manager, who may be, but who shall not be required to be a member of the Cooperative. Such officer shall perform such duties as the board of directors may from time to time require and shall have such authority as the board of directors may, from time to time, vest in him. The board may, in its discretion, from time to time, amend or provide additional titles to the General Manager to more accurately reflect his/her duties and/or responsibilities.

SECTION 6.11 - BONDS

The board of directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and with such surety as the board 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. The costs of all such bonds shall be borne by the Cooperative.

SECTION 6.12 - COMPENSATION; INDEMNIFICATION

The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.10 of these bylaws, and the powers, duties and compensation of any other officers, agents and

employees shall be fixed or a plan therefore approved by the board of directors. The Cooperative shall indemnify present and former directors, officers, including the General Manager (or, if so titled, the Executive Vice President) agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interest of the Cooperative or were not against the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

SECTION 6.13 - 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 the year and showing the condition of the Cooperative at the close of such fiscal year.

SECTION 6.14 - 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 VII

CONTRACTS, CHECKS AND DEPOSITS

SECTION 7.01 - CONTRACTS

Except as otherwise provided by law or these bylaws, the board of directors may authorize any Cooperative officer, agent, or employee to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 7.02 - CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such officer, agent or employee of the Cooperative in such manner as shall from time to time be determined by resolution of the board of directors.

SECTION 7.03 - DEPOSITS; INVESTMENTS

All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the board of directors may select.

ARTICLE VIII

MEMBERSHIP CERTIFICATES

SECTION 8.01 - CERTIFICATE 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 Cooperative's Articles of Incorporation or its bylaws. Such certificate shall be signed by the President and the Secretary, and the seal shall be affixed thereto; PROVIDED, that the seal and the signatures of the President and the Secretary may be imprinted thereon electronically or by facsimile, and may be evidenced on the books of the Cooperative or delivered in any manner prescribed by the board.

SECTION 8.02 - ISSUE OF MEMBERSHIP CERTIFICATES

No membership certificate shall be issued for less than the membership fee fixed by the board of directors nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

SECTION 8.03 - LOST CERTIFICATES

In case of a lost, destroyed, or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the board of directors may prescribe.

ARTICLE IX

NON-PROFIT OPERATION

SECTION 9.01 - 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 9.02 - 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 operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. 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 each 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. 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 a 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; PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period, insofar as is practicable, as determined by the board of directors 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 patron's account may be retired in full or in part. The board of directors, in its sole discretion shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital; PROVIDED, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other service of supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing power supply or any other service or supply to the Cooperative. Such rules shall (a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts and (d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or any capital credited to patrons for any prior fiscal year. And further PROVIDED, that the board of directors shall have the power, at its discretion, to retire all capital credits allocated to a former member upon the books of the Cooperative in an amount not to exceed \$100.00, provided, however, that the financial condition of the Cooperative will no be impaired thereby. Capital credited to the account of each patron shall be assignable only on the books of the Cooperative (a) pursuant to written instructions from the assignor and only to successors in interest or successor in occupancy in all or a part of such patron's premises served by the Cooperative, unless the board of directors, acting under policies of general application, shall determine otherwise and (b) pursuant to the written order of any bankruptcy court or referee in bankruptcy and shall be assignable only to the person, partnership, firm or corporation purchasing such capital credits for value from a bankrupt member's estate under the provisions of the bankrupt member's estate under the provisions of the Bankruptcy Act of the United States. Notwithstanding any other provisions of these bylaws, the board of directors shall at its discretion have the power at any time upon the death of any patron who was a natural person (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron,

which assignee was a natural person), if the legal representatives of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the bylaws, to retire such capital immediately upon such terms and conditions as the board of directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby. The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the Texas legal rate on judgments in effect when such amount became overdue, compounded annually. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's offices.

SECTION 9.03 - PATRONAGE REFUNDS IN CONNECTION WITH FURNISHING OTHER SERVICES

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

SECTION 9.04 - UNDELIVERABLE REFUNDS, DIVIDENDS AND CLAIMS

A claim for money against the corporation shall be subject to the provisions of this section wherever the corporation is ready, willing, and able to pay such claim, and has paid or is paying generally claims arising under similar circumstances, but payment of such claims cannot be made for the reason that the cooperation does not know the whereabouts or mail address of the one to whom it is payable or does not know who is entitled to payment. A claim shall include all refunds of membership dues, capital account distributions, dividends, dissolution distributions, and any and all payments made or to be made to persons which may be based on patronage. It shall be the obligation of every patron of the corporation at all times to keep the corporation correctly informed concerning his whereabouts or correct mailing address in order that he might receive any sum or sums due by the corporation to him any account without delay, and it shall be the obligation of all patrons and claimants to keep the corporation advised as to who is entitled to receive claims in the event of death, dissolution or change of ownership or patronage. No trust or fiduciary relationship shall exist between the corporation and its patrons concerning any unclaimed funds due by the corporation to any patron on account, but the relationship of debtor-creditor shall at all times exist between the corporation, as the debtor, and the patron, as the creditor, concerning such unclaimed funds. This same debtor-creditor relationship shall exist between the corporation and any person concerning any claim arising out of any

business between the corporation and any patron. Upon the retirement of any accounts, deposits, book credits of the corporation or upon the declaring of any patronage refunds or disbursements of any money or property of any nature to the patrons or members or upon the attempted payment of any sum of money to any patron or to any person on account of business done with the patron, the corporation acknowledges its indebtedness to the person entitled to receive such sums or property to the same extent as if it had on that date issued and delivered to such person its written promise to pay such person the amount or value due on demand and the rights of any person entitled to receive such sums shall be limited to the same extent as if that person has accepted such written promise of the corporation as payment of the amount due. If payment of such claim cannot be made for the reasons indicated above or for any other cause beyond the control of the corporation, the corporation shall continue to be liable for the amount thereof without interest until the four-year statute of limitation has run against such claim. The statute of limitations shall commence to run on the date of the retirement of such account, deposit, or book credit or on the date the corporation declares the refund or disbursement of money or property as payable or distributable or attempts to make payment of distribution to any such person as conclusively shown by the books and records of the corporation. The corporation shall, after it has held such funds for a period of four (4) years, send by certified or registered mail with return receipt requested, a written notice addressed to the person appearing on the records of the corporation to be entitled to such funds or property at the last address of such person as shown on the records of the corporation for such person to claim such funds within a thirty (30) day period. If the person entitled to receive such sums as conclusively show on the books and records of the corporation does not claim such sums within the thirty (30) day period from the date such letter is mailed or if no claimant established his right to the satisfaction of the corporation to receive such sums within such thirty (30) day period, the corporation shall at the expiration of such thirty (30) day period no longer be liable for the payment of such claim and such claim in its entirety shall be extinguished, and the corporation shall treat all such sums as incidental receipts of money, and the amount involved shall at that time be allocated to payment of operating expenses of the corporation. Words used herein denoting the singular shall extend to and include the plural, and the plural and singular, and words used herein denoting any gender shall extend to and include all genders.

SECTION 9.05 – CAPITAL CREDITED TO THE ACCOUNT

Any attempt to assign, sell, or transfer the capital credited to the account of a patron (member), pursuant to state or federal law or in a judicial or administrative forum, 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 bona fide consideration terms of the proposed transfer. Patrons at any time may assign their capital credits back to the Cooperative, and the Cooperative is authorized to negotiate capital credit settlement arrangements with bankrupt patrons or estates of deceased natural patrons. The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the Texas legal rate on judgments in effect when such amount became past due, compounded annually.

ARTICLE X

WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws or any notice that may otherwise be legally required, either before or after such notice is required to be given.

ARTICLE XI

DISPOSITION AND PLEDGING OF PROPERTY;
DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

SECTION 11.01 - DISPOSITION AND PLEDGING OF PROPERTY

(a) not inconsistently with subsection (b) hereof, the members of the Cooperative may, at a duly held meeting of the members, authorize the sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's property and assets by the affirmative votes of a majority of the total members of the Cooperative. However, the board of directors, without authorization by the members, shall have full power and authority (1) to borrow monies from any source and in such amounts as the board may from time to time determine, (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefor, and (3) to sell, lease, lease-sell, exchange, transfer or otherwise dispose of merchandise, property no longer necessary or useful for the operation of the Cooperative, or less than a substantial portion of the Cooperative's property and assets. "Substantial portion" means ten (10%) percent or more of the Cooperative's total assets as reflected on its books at the time of the transaction.

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

(1) If the board of directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer or other disposition, it shall first cause three (3) independent, non-affiliated appraisers, expert in such matters to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a District judge for a Judicial District in Texas in which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the board of directors.

(2) If the board of directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every

other rural electric cooperative corporations corporately sighted and operating in Texas (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural electric cooperative corporations, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such rural electric cooperative corporations shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

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

(4) Any two hundred (200) or more members, by so petitioning the board not less than fifteen (15) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the board has made.

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

SECTION 11.02 - DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the Cooperative have been satisfied and discharged shall, to the extent practicable as determined by the board of directors, not inconsistently with the provisions of the third paragraph of Section 9.02 of these bylaws, be distributed without priority but on a patronage basis among all persons who are members of the Cooperative at the time of the filing of the certificate of dissolution; PROVIDED, however, that if in the judgment of the board the amount of such surplus is too small to justify the expense of making such distribution, the board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from federal income taxation.

ARTICLE XII

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

ARTICLE XIII

RULES OF ORDER

Parliamentary procedure at all meetings of the members, of the board of directors, of any committee provided for in these bylaws and of any other committee of the members or board of directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or bylaws.

ARTICLE XIV

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 XV

AMENDMENTS

These bylaws may be altered, amended or repealed by resolution of the board of directors at any regular or special board meeting. The notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal or an accurate summary explanation thereof.