

**BYLAWS
of
FAYETTE ELECTRIC
COOPERATIVE, INC.**

**Providing Electric Service in
Austin, Bastrop, Colorado,
Fayette, Lavaca, Lee and
Washington Counties**



Amended and Restated August 17, 2011

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ARTICLE I MEMBERSHIP

SECTION 1.01 Requirements for Membership. Any person, firm, association, corporation, partnership, entity recognized or doing business under the laws of the state of Texas, federal agency, state or political subdivision will become a Member of Fayette Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative provided that such person or entity has first:

- a) Completed a written application for Membership;
- b) Agreed to purchase from the Cooperative electric energy as hereinafter specified;
- c) Agreed to comply with and be bound by the Articles of Incorporation, these Bylaws of the Cooperative, such rules and regulations as may from time to time be adopted by the Board of Directors, as any of the foregoing may be amended from time to time; and,
- d) Paid the membership fee specified in these Bylaws.

No Member may hold more than one Membership in the Cooperative, and no Membership in the Cooperative shall be transferable except under provisions listed in Section 1.06.

Notwithstanding anything in this Section 1.01 to the contrary, any electric cooperative corporation organized under Chapter 161, Texas Utilities Code, as amended (the "Act") which desires to become a Member of the Cooperative shall not be required to receive electric service or comply with clause (b) of this Section 1.01 but may purchase or use any Cooperative Service provided by the Cooperative. The term "Cooperative Service" means, as determined by the Board of Directors, any good, service or facilities provided by the Cooperative. Membership of such electric cooperative corporation shall commence upon approval of such membership by a majority vote of the Board of the Directors.

SECTION 1.02 Joint Membership. A husband and wife, or any two persons whether or not married, may apply for a Joint Membership and, subject to their compliance with the requirements set forth in Section 1.01 of this Article, may be accepted for such Membership. The term "Member" as used in these Bylaws shall be deemed to include any such persons 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. In addition, the following provisions apply to Joint Memberships:

- a) The presence at a meeting of either or both shall be regarded as the presence of one Member and shall constitute a joint waiver of notice of the meeting;
- b) The vote of either separately or both jointly shall constitute one joint vote;
- c) A waiver of notice signed by either or both shall constitute a joint waiver;
- d) Notice to either shall constitute notice to both;
- e) Expulsion of either shall terminate the Joint Membership;
- f) Withdrawal of either shall terminate the Joint Membership;
- g) Either but not both concurrently may be elected or appointed an Officer or Director, provided that both meet the qualifications for such office;
- h) Divorce of spouses shall terminate Joint Membership; provided, however, that neither former spouse shall be released from any debts due the Cooperative.

- i) A Joint Membership shall also be terminated if either Joint Member provides written notice to the Cooperative asking that the Joint Membership be terminated; provided, however, that neither former Joint Member shall be released from any debts due the Cooperative.
- j) In the event that a Joint Membership is terminated by divorce or written notice to the Cooperative, capital credits earned during the Joint Membership shall be divided evenly between the Joint Members, unless (i) the Joint Members both instruct the Cooperative otherwise, in a writing signed by both Joint Members; or (ii) a court of competent jurisdiction instructs the Cooperative otherwise.

SECTION 1.03 Membership Fee. The Membership Fee shall be specified in the tariff of the Cooperative as approved by the Board of Directors. Upon the payment of such fee, as well as such other fees, contributions and deposits required by the tariff of the Cooperative, the Member shall be eligible for service connection.

SECTION 1.04 Certificates of Membership. The application for service, upon approval by the Board of Directors, shall constitute a Certificate of Membership. A copy is available to the Member upon request.

SECTION 1.05 Member Purchase of Electric Energy or Cooperative Service. Each Member shall (i) as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in the application for Membership; or (ii) purchase a Cooperative Service agreed upon by the Member and the Board of Directors. Members shall pay for electric energy monthly at rates which shall from time to time be fixed by the Board of Directors, provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one Member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by Members as capital and each Member shall be credited with the capital so furnished as provided in these Bylaws. Each Member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each Member shall also pay all amounts owed to the Cooperative as and when the same shall become due and payable.

SECTION 1.06 Transfer, Conversion and Termination of Membership.

(a) Membership in the Cooperative shall not be transferable except as hereinafter otherwise provided, and upon cessation of existence, expulsion or withdrawal of a Member, the Membership of such Member shall thereupon terminate. Termination of Membership in any manner shall not release the Member from the debts or liabilities of such Member to the Cooperative.

(b) A Membership may be converted to a Joint Membership upon written request of the holder together with written application by the spouse or other prospective Joint Member for Membership, and the agreement by such holder and his or her spouse or the other prospective Joint Member to comply with the Articles of Incorporation and these Bylaws, and the rules and regulations adopted by the Board of Directors, as any of the foregoing may be amended from time to time. Re-submittal of the Cooperative's form of Application for Membership executed by both parties as Joint Members shall constitute compliance with this section. Such conversion shall be made and recorded on the books of the Cooperative.

(c) Upon the death of either party to a Joint Membership, the Membership shall be deemed to be held solely by the survivor with the same effect as though such Membership had been originally

issued solely to him or her, as the case may be; provided, however, that the estate of the deceased shall not be released from any Membership debts or liabilities to the Cooperative.

SECTION 1.07 Expulsion of Members. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the Members thereof, expel any Member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these Bylaws or any rules or regulations adopted from time to time by the Board of Directors. Any Member so expelled may be reinstated as a Member by a vote of the Members at any Annual or Special Meeting of the Members. The action of the Members with respect to any such reinstatement shall be final unless and until a new cause for expulsion arises.

ARTICLE II Rights and Liabilities of Members

SECTION 2.01 Non-liability for Debts of the Cooperative. The private property of the Members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no Member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 2.02 Withdrawal of Membership. Any Member may withdraw from Membership upon payment in full of all debts and liabilities of such Member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

SECTION 2.03 Removal of Directors and Officers. Any Member may bring charges against any Officer or Director by delivering a written statement of such charges to the Secretary, accompanied by a petition signed by not less than ten per centum (10%) of the total membership of the Cooperative, requesting the removal of the Officer or Director in question. The removal shall be voted upon at the next Regular or Special Meeting of the Members, and any vacancy created by such removal may be filled by the Members at such meeting, according to procedures outlined in Article III, Section 3.07. The Director or Officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the Meeting to be heard in person or by counsel and to present evidence, and the person or persons bringing the charges against him shall have the same opportunity.

SECTION 2.04 Membership Lists. The Cooperative shall maintain a record of current Members in a form permitting the Cooperative to alphabetically list the names and addresses of all Members. The General Manager/CEO may grant a request by a Member to inspect or, upon payment of a reasonable charge determined by the Cooperative, may provide to the Member a copy of the Membership List, provided:

1. The Member's request is made in writing upon at least five (5) days' notice;
2. The Member's request is made in good faith and for a reasonable purpose related to the Member's interest as a Member, as determined by the General Manager. The following purpose shall not be deemed to be reasonable:
 - a) Use of the Membership List to solicit money or property unless the money or property is used solely to solicit Member votes in connection with a Cooperative election;
 - b) Use of the Membership List for a commercial purpose; or

- c) Sale or purchase of the Membership List by any person or entity.
3. The Member's request describes with reasonable particularity the Member's purpose for inspecting or copying the Membership List, and that purpose is reasonably related to the Membership List.

If the General Manager determines that the request will be denied as not meeting the standards set out above, the Member may ask that his request be presented by the General Manager to the Board for consideration at the next scheduled Meeting of the Board of Directors at which time the request may be granted or denied as the Board deems appropriate.

ARTICLE III MEMBER MEETINGS AND MEMBER VOTING

SECTION 3.01 Annual Meeting. The Annual Meeting of Members shall be held on the third Wednesday in July of each year, beginning with the year 1971, at such time and place within the area served by the Cooperative as shall be designated in the Notice of the Meeting, for the purpose of electing Directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If the day fixed for the Annual Meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of Directors shall not be held on the day designated herein for any Annual Meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a Special Meeting of the Members as soon thereafter as conveniently may be. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02 Special Meetings. Special Meetings of the Members may be called by the resolution of the Board, or upon a written request by any four Board Members, by the President, or by ten per centum (10%) or more of all the Members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special Meetings of the Members may be held at any place within the area served by the Cooperative as designated by the Board and shall be specified in the Notice of the Special Meeting.

SECTION 3.03 Notice of Member Meetings. Written or printed notice stating the place, day and hour of the meeting, and in case of a Special Meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each Member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any Member to receive notice of an Annual or Special Meeting of the Members shall not invalidate any action which may be taken by the Members at any such meeting.

SECTION 3.04 Quorum. Twenty per centum (20%) of the total number of all Members of the Cooperative present in person shall constitute a quorum for the transaction of business at all meetings of the Members so long as the total number of Members does not exceed three hundred (300). In case the total number of members exceeds three hundred (300), then and in such case, seventy-five (75)

Members present in person shall constitute a quorum for the transaction of business at all meetings of the Members.

SECTION 3.05 Voting. Each Member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the Members. At all meetings of the Members at which a quorum is present all questions shall be decided by a vote of a majority of the Members voting thereon in person except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these Bylaws. If a husband and wife or two persons hold a Joint Membership, they shall jointly be entitled to one (1) vote and no more on each matter submitted to a vote at a meeting of the Members. In the event of death of a person holding a Joint Membership in the Cooperative, the surviving Member alone may vote upon that Membership. A Membership held by a school, community hall, or similar public body shall be voted by the president or chairman of the board, or, if so authorized in writing, by any one member of the board. The pastor or, if so authorized in writing, any one member of the governing body of a church holding Membership in the Cooperative shall cast the vote of the church.

SECTION 3.06 Voting Districts.

(a) The area served by the Cooperative shall be divided into seven (7) Districts, to be determined and defined by the Board of Directors. Each District shall be represented by one Director. In defining the district, the Board of Directors shall bear in mind the desirability of having the Directors well distributed over the Cooperative area, the size of the District, and the number of Members in the District. The present seven (7) Districts shall be as follows:

District #1 — representing Members in or near these areas: Warda, Winchester, Waldeck, Round Top, Warrenton, Rutersville and east of La Grange;

DISTRICT #2 — representing Members in or near these areas: south of La Grange, Hostyn, Ammansville and Holman;

DISTRICT #3 — representing Members in or near these areas: Schulenburg, Dubina, High Hill, Freyburg and Swiss Alp;

DISTRICT #4 — representing Members in or near these areas: Praha, Moravia, Komensky, Breslau, Moulton and north of Hallettsville;

DISTRICT #5 — representing Members in or near these areas: Flatonia, Muldoon, Plum, West Point and Cistern;

DISTRICT #6 — representing Members in or near these areas: Weimar, Hackberry, Oakland, New Bielau and Osage;

DISTRICT #7 — representing Members in or near these areas: Ellinger, Fayetteville, Industry, New Ulm, Rutersville, Shelby, Warrenton and Willow Springs.

A complete description of each District's metes and bounds is on file at Fayette Electric Cooperative's office located at 357 North Washington St., La Grange, Texas.

Not less than ninety (90) days prior to any Annual Meeting of the Members at which Directors are to be elected, the Board of Directors shall review the composition of the seven Districts. If it should appear that any of such Districts should be redefined in order to more nearly meet the above-mentioned objectives, the Board of Directors shall proceed to make such adjustments as it shall deem best.

(b) If a Member's principal place of residence is served by the Cooperative, then such Member shall be entitled to vote only at meetings of the District in which his principal residence is located.

If a Member's principal place of residence is not served by the Cooperative, then such Member shall be entitled to vote only at meetings of the District in which he is receiving electric service from the Cooperative; and if he is receiving electric service from the Cooperative in more than one (1) District, then he shall be entitled to vote only at the District Meeting of the District in which he has for the longest period of time been continuously receiving such service.

Insofar as government agencies, political subdivisions, corporations, partnerships, and firms are concerned, the phrase "principal place of residence" shall be construed to mean the location of the seat of any political subdivision, principal place of business, main office, or headquarters of any such corporation, partnership, or firm. The person or persons representing any such corporation, partnership, firm, government agencies, and political subdivision shall submit proof of their authority.

SECTION 3.07 Nomination and Election of Directors

(a) Nomination at District Meetings: Not less than 30 days nor more than 90 days before any meeting at which Directors are to be elected, the Board of Directors shall call a separate meeting of the Members of each District from which Directors are to be elected at a suitable place, in such District, to be designated by the Board of Directors for the purpose of selecting one or more persons as candidates for Director to represent the Members located within such District. The notice of such meeting shall be delivered to each Member located in such District as provided in Section 3.03 of this Article and shall indicate the District to which such Member belongs. The notice shall state that nominations for a Director are to be made at the meeting. The meeting shall, however, be open for discussion of any other matters pertaining to the business of the Cooperative, regardless of whether or not such matters were listed in the Notice of the Meeting, and recommendations with respect thereto may be submitted to the Board of Directors or the entire Membership.

The District Meeting shall be called to order by the Director representing the District or by another designated representative of the Board of Directors, or in his absence, by any Member residing within the District. The Members shall then proceed to elect a chairman, who shall be someone other than a Director, and who shall appoint a secretary to act for the duration of the meeting. Fifteen members residing in the District present at such duly called District Meeting shall constitute a quorum. In the event a quorum is not present at a District Meeting, then the incumbent Director shall automatically be the sole nominee for Director from the District. The secretary of the District Meeting, even if there was no quorum present, shall nevertheless forward the minutes of the District Meeting, including the name of the nominee for Director from that District, to the Secretary of the Cooperative as directed in this section. Members of other Districts present at the meeting may be heard but shall have no vote. Nomination for candidates for Director shall be made from the floor at the meeting, and any Member residing in the District shall have the right to nominate one candidate. The meeting will remain open for nominations until no further nominations are forthcoming, but in no case less than one minute.

Candidates must be Members residing in the District and must possess the qualifications for Director specified in Article IV, Section 4.02 of these Bylaws.

Voting shall be by ballot unless only one candidate is nominated, in which event voting may be by a show of hands. If only one candidate is nominated and receives the vote of two-thirds (2/3) of the Members present and voting, then such candidate shall be the sole nominee from such District. If one such candidate fails to receive two-thirds (2/3) or more of the votes cast, then the meeting shall be thrown open for further nominations. If more than one candidate is nominated, then the two candidates receiving the highest number of votes shall be declared to be the official nominees from such District unless one of such candidates shall then receive two-thirds (2/3) or more of the votes cast, in which event the candidate receiving such two-thirds (2/3) or more of the votes cast shall be declared to be the sole nominee from such District.

There shall be no more than two (2) nominees from each District to be voted on at the Annual Meeting. In the event more than one (1) candidate is nominated at the District Meeting and no one (1) candidate receives the vote of two-thirds (2/3) of the Members present and there is a tie vote among or between the nominees, the tie shall be decided by taking a vote on those nominees by all Members present, then the two nominees for the district shall be:

- (1) the nominee receiving the greatest number of votes in the first vote; and
- (2) the nominee receiving the greatest number of votes from the vote to break the tie.

In the event of a tie vote on the nominees for Director from a District, then the nominees receiving an equal number of votes shall be given the opportunity to address the Membership (for no more than two (2) minutes each) in support of his or her candidacy, whereupon another vote shall be taken on such nominees. In the event there is another tie vote between such nominees, the Director shall be selected by the flip of a coin.

Further, in the event there is a tie vote among the top three (3) or more candidates, the two (2) nominees from the District shall be selected by the flip of a coin.

The minutes of such District Meeting shall be set forth, among other matters, the name of each person nominated at the meeting and the number of votes received by each, and shall specify the official candidate or candidates of the District. A copy of the minutes, signed and certified to by the chairman and secretary of the District Meeting, shall be delivered to the Secretary of the Cooperative within ten (10) days after such District Meeting. No informality or defect in such minutes or in the proceedings had shall void the nominations so made or affect the validity of the election of Directors at the meeting of the Members of the Cooperative.

(b) Election of Directors: Not less than (10) days nor more than thirty (30) days before an Annual or Special Meeting of the Members at which Directors are to be elected, the Secretary of the Cooperative shall mail to each Member a list of the candidates selected at the District Meetings, the names to be arranged by Districts and in the order of preference indicated by the respective District vote. This list may be included with the Notice of the Meeting. At the meeting, the secretary of the meeting shall place in nomination the names of the official candidates of each District from which the directors are to be elected. Additional nominations for Directors for a particular District may be made from the floor. The person making a nomination from the floor, as well as the nominee, must reside in the District for which

the nomination is being made. Election of Directors for any District for which more than one person has been nominated, whether nominated from the floor at the Annual Meeting or at the preceding District Meeting, shall be by written ballot. Where only one person has been nominated for Director from any District, a voice vote shall be taken and the result forthwith declared by the chairman. Where more than one person has been nominated for Director for any District at the preceding District Meeting, the ballots shall list the candidates selected at the District Meetings, the names to be arranged by Districts and in the order of preference indicated by the respective District vote. A candidate nominated from the floor of the meeting may be voted for by writing in the name of such candidate. Each Member of the Cooperative present at the meeting shall be entitled to vote for one candidate from each District from which Directors are to be elected. The candidate from each District from which a Director is to be elected receiving the highest number of votes at this meeting shall be declared elected as Director.

In the event of a tie vote on the nominees for Director from a District, then the nominees receiving an equal number of votes shall be given the opportunity to address the Membership (for no more than two (2) minutes each) in support of his or her candidacy, whereupon another vote shall be taken on such nominees. In the event there is another tie vote between such nominees, the Director shall be selected by the flip of a coin.

(c) Counting Ballots: At each Annual Meeting of the Members of the Cooperative at which Directors are to be elected, or at which any other matter is voted on by written or printed ballot, an Election Committee, whose duty it shall be to collect and count the ballots and report the results to the Meeting, shall be appointed.

Such Election Committee at the Annual Meetings of the Members shall consist of fourteen (14) Members, two (2) being selected by each Director. Immediately upon the selection of the Election Committee, they shall elect a chairman and a co-chairman from among their number. The chairman and co-chairman shall then proceed to supervise the collection of the ballots from the Members and transport them to the place selected for counting same. After collection of the ballots the Committee shall proceed to a suitable location for counting the ballots. The chairman and co-chairman shall then divide the twelve (12) other members of the committee into four (4) groups of three (3) Members each. All four (4) of these groups shall remain in the same room and each group shall designate two (2) Members to judge the ballots and the third member will run the tally sheet. Employees of the Cooperative, appointed by the General Manager in accordance with their qualifications, may be used to assist the groups with the tally sheets by running a second tally sheet and performing other duties as the chairman and co-chairman may require. The chairman and co-chairman of the Election Committee shall supervise the counting of the ballots by each group, and, in case of a tie in decision by either of the judges of each group, the chairman and co-chairman shall rule on the decision. Upon completion of the ballot counting, the Election Committee shall return to the Membership Meeting. The Election Committee Chairman shall present a certified copy of the report of the Election Committee to the Secretary of the Cooperative. He shall then read said report to the Members present at the meeting. A copy of this procedure shall be furnished to each member of the Election Committee upon his/her appointment at the Membership Meeting.

SECTION 3.08 **Procedure.** *Robert's Rules of Order*, in so far as applicable, shall govern the procedure at each Meeting of the Members of the Cooperative and at each District Meeting; provided

that no variation from such rules, irregularities, or other procedures shall in any way affect the validity of the action taken at such Meeting.

SECTION 3.09 Order of Business. The order of business at the Annual Meeting of the Members, and insofar as practicable or desirable as possible, at all other meetings of the Members, shall be 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 Publication or mailing thereof, or the Waiver or Waivers of Notice of the Meeting, as the case may be;
3. Reading of unapproved minutes of previous meetings of the Members and the taking of necessary action thereon;
4. Presentation and consideration of Reports of Officers, Directors, and Committees;
5. Election of Directors;
6. Unfinished business;
7. New business; and
8. Adjournment.

ARTICLE IV DIRECTORS

SECTION 4.01 General Powers. The business and affairs of the Cooperative shall be managed by a Board of seven (7) Directors which shall exercise all the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the Members.

SECTION 4.02 Qualifications and Tenure. The persons named as Directors in the Articles of Incorporation of the Cooperative shall compose the Board of Directors until the first Annual Meeting or until their successors shall have been elected and shall have qualified. Beginning with the Annual Meeting of 1971, the Directors of the Cooperative shall be divided into three (3) classes. At the Annual Meeting of the Members of the Cooperative held in 1971, one (1) Director from each of the Districts of the Cooperative numbered 6 and 7 shall be elected by secret ballot by and from the Members as Directors of the first class, to serve until the next Annual Meeting or until their successors have been elected and shall have qualified; one (1) Director each from Districts numbered 3 and 4 shall be elected by secret ballot by and from the Members, as Directors of the second class, to serve until the second succeeding Annual Meeting or until their successors have been elected and shall have qualified; one (1) Director each from Districts numbered 1, 2 and 5 shall be elected by secret ballot by and from the Members, as Directors of the third class, to serve until the third succeeding Annual Meeting or until their successors have been elected and shall have qualified. At each Annual Meeting thereafter, the Directors shall be elected by secret ballot by and from the Members, to succeed those Directors whose terms of office shall have expired, to serve for a period of three (3) years or until their successors have been elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of Directors. If an election of Directors shall not be held on the day designated in the Bylaws for the Annual Meeting or at any adjournment thereof, the Board of Directors shall cause an election to

be held at a Special Meeting of the Members within a reasonable time thereafter. Directors may be elected by a plurality vote of the Members.

No Member shall be eligible to become or remain a Director or to hold any position of trust in the Cooperative who is a Close Relative of an incumbent Director or of an Employee of the Cooperative, who has not been a Member in good standing in his/her individual capacity for at least one (1) year prior to his/her election and whose principal place of residence is not served with electric power and energy by the Cooperative in the District he/she is to represent. No person shall be eligible to become or remain a Director who is not at least twenty-one (21) years of age or who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures, or supplies to the Members of the Cooperative, and no person shall take or hold office as a Director who is the incumbent of or candidate for an elective public office in connection with which a salary is paid. A Director whose term expires may be re-elected for subsequent terms. Nothing in this section contained shall or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Upon establishment of the fact that a nominee for 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 at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a Directorship or other position of trust in the Cooperative lacks eligibility under this section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him/her to be removed therefrom, as the case may be. Nothing contained in this section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this section and in which one or more of the Directors have an adverse interest to that of the Cooperative.

SECTION 4.03 **“Close Relative” Defined.** As used in these Bylaws, “Close Relative” shall be defined as a first degree relationship by blood or by marriage such as husband, wife, son, daughter, father, mother, brother, sister, mother-in-law, father-in-law, grandfather, grandmother, aunt or uncle of the principal. The term husband and wife shall also mean persons who are living together in a conjugal relationship even though not ceremonially married.

SECTION 4.04 **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 Members (or until their successors shall have been elected at a Special Meeting of the Members or by the aforesaid election by the Board) and shall have qualified to serve for the unexpired portion of a term or a new term as the case may be.

SECTION 4.05 **Compensation.** Directors as such shall receive no salary for their services as Directors; however, the Board may, by resolution from time to time, authorize payment of:

- a) a fixed sum plus expenses for attendance at each regular or Special Meeting of the Board of Directors,

- b) all reasonable and necessary expenses incurred by Directors while attending seminars and conventions,
- c) a stipend to provide insurance premiums attributable to Directors, their spouses and children, and/or
- d) all reasonable and necessary expenses incurred by Directors which the Board deems to be in the best interest of the Cooperative.

SECTION 4.06 Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not consistent with law, the Articles of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

SECTION 4.07 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 which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting systems as may, from time to time, be designated by the administrator of the Rural Utilities Service (RUS). The Board of Directors shall also, 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 the financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the Members at the following Annual Meeting.

ARTICLE V MEETINGS OF DIRECTORS

SECTION 5.01 Regular Meetings. A Regular Meeting of the Board of Directors shall be held monthly at such time and place in La Grange, Fayette County, Texas, as the Board of Directors may provide by resolution. Such Regular Monthly Meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 5.02 Special Meetings. Special Meetings of the Board of Directors may be called by the President or any four (4) Directors. The person or persons authorized to call Special Meetings of the Board of Directors may fix the time and place for the holding of any Special Meeting of the Board of Directors called by them.

SECTION 5.03 Notice. Notice of the time, place and purpose of any Special Meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to each Director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting shall not have been lawfully called or convened.

SECTION 5.04 Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the Directors is present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 5.05 Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE VI OFFICERS

SECTION 6.01 Number and Title. The Officers of the Cooperative shall be a President, Vice President, Secretary-Treasurer, and such other Officers as may, from time to time, be determined by the Board of Directors. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 6.02 Election and Term of Office. The Officers shall be elected annually by and from the Board of Directors at the first meeting of the Board of Directors held after each Annual Meeting of the Members. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each Officer shall hold office until the first meeting of the Board of Directors following the next succeeding Annual Meeting of the Members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of Officers.

SECTION 6.03 Removal. Any Officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative would be served thereby.

SECTION 6.04 Vacancies. Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 6.05 President. The President:

- a) shall be the principal executive officer of the Cooperative and shall preside at all Meetings of the Members and of the Board of Directors, provided; however, the President may, at his or her discretion and option, delegate the President's authority to preside at all meetings of the Members and the Board of Directors to the Cooperative Attorney, the Cooperative Manager, or any other person for such purpose or purposes as the President should delegate his or her authority to preside at such meetings, the President may regain the chair at any time he or she desires.
- b) may 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 by these Bylaws to some other Officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- c) in general shall perform all duties 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 power 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 the Members and the Board of Directors in one or more books provided for that purpose;
- b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all appropriate documents issued thereof, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- d) have general charge of the books of the Cooperative in which a record of the Members is kept;
- e) keep on file at all times a complete copy of the Cooperatives' Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any Member, and, at the expense of the Cooperative, furnish a copy of the Bylaws and all amendments thereto to each Member; and
- f) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned 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 financial institutions 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 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 Sections 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 delegate with respect to any such Officer, that Officer as such shall be released from such duties, responsibilities and authorities. The powers, duties and compensation of any Officers, agents and employees shall be approved by the Board of Directors.

SECTION 6.10 **Manager.** The Board of Directors may appoint a Manager who may be, but who shall not be required to be, a Member of the Cooperative. The Manager shall perform such duties as the Board of Directors may, from time to time, require of him or her and shall have such authority as the board of directors may, from time to time, vest in him or her.

SECTION 6.11 **Bonds of Officers.** The Board of Directors shall require the Treasurer or any other Officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors, in its discretion, may also require any other Officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 6.12 **Compensation.** The powers, duties and compensation of any Officer, agent or employee shall be approved by the Board of Directors.

SECTION 6.13 **Indemnification.** The Cooperative shall indemnify Directors, Officers, including the General Manager, 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 interests of the Cooperative or were not against the best interests of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

SECTION 6.14 **Reports.** The Officers of the Cooperative shall submit, at each Annual Meeting of the Members, reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII CONTRACTS, CHECKS, DEPOSITS AND INVESTMENTS

SECTION 7.01 **Contracts.** Except as otherwise provided in these Bylaws, the Board of Directors may authorize any Officer or Officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 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 by such Officer or Officers, agent or agents, employee or employees of the Cooperative and in such manner as shall, from time to time, be determined by resolution of the Board of Directors.

SECTION 7.03 **Deposits, Investments.** All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such financial securities or institutions as the Board of Directors may select.

ARTICLE VIII
NON-PROFIT OPERATION

SECTION 8.01 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 8.02 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 non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts, in excess of operating costs and expenses at the moment of receipt by the Cooperative, are 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 the 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/her account. All such amounts credited to the capital account of any patron 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. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.

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

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

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

If a Member owes the Cooperative for electric power consumed, the account is charged off, service disconnected, and the Member has patronage capital credited to the Member's account, then the Cooperative is authorized to apply the patronage capital toward payment of such charged-off account. Such patronage capital attributable to the next year in line to be paid to be applied first and then any other patronage capital in line to be paid may be used to reduce or pay in full any such charged-off account. Except for using patronage capital toward payment of charged-off accounts for which service has been disconnected, capital credited to Member's accounts shall be retired as when authorized by the Board of Directors.

SECTION 8.03 Unclaimed Funds. A claim for money against the Cooperative shall be subject to the provisions of this section, whenever the Cooperative is ready, able and willing to pay such claim and has paid or is paying generally claims arising under similar circumstances but payment of such claim cannot be made for the reason that the Cooperative does not know the whereabouts or mailing address of the one to whom it is payable or the one entitled to payment the funds will be deemed unclaimed. It shall be the obligation of every patron of the Cooperative at all times to keep the Cooperative correctly informed concerning his or her whereabouts or correct mailing address in order that he or she might receive any sums due by the Cooperative to him or her on any account without delay.

No trust or fiduciary relationship shall exist between the Cooperative and its patrons concerning any unclaimed funds due by the Cooperative to any patron on account, but the relationship of debtor-creditor shall at all times exist between the Cooperative as the debtor and the patron as the creditor concerning such unclaimed funds. This same debtor-creditor relationship shall exist between the Cooperative and any business between the Cooperative and any patron. Upon the retirement of equity capital and/or book credits of this Cooperative or upon the declaring of any patronage refund to be paid in cash, or upon the attempted payment of any sum due to any person or to any patron on account of business done, the Cooperative acknowledges its indebtedness to the person entitled to receive such sums 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 due on demand, and the rights of any person entitled to receive such sums shall be lifted to the same extent as if the person had accepted such written promise

of the Cooperative 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 Cooperative, the Cooperative shall continue to be liable for the amount thereof without interest until the four year statute of limitations has run against such claim. The statute of limitations shall commence to run on the date of the retirement or book credits or on the date the Cooperative declaring such refund attempts to make payment of any sum due to any such persons as conclusively shown by the books and records of the Cooperative.

The Cooperative shall, after it has held 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 Cooperative to be entitled to such funds at the last address of such person as shown on the records of the Cooperative for such person to claim such funds within a thirty (30) day period if the person entitled to receive such sums as conclusively shown on the books and records of the Cooperative does not claim such sums within the thirty (30) day period from the date such letter is mailed, or if no claimant establishes his right to the satisfaction of the Cooperative to receive such sums within such thirty (30) day period, the Cooperative 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 Cooperative shall treat all such sums as contributed capital.

ARTICLE IX WAIVER OF NOTICE

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

ARTICLE X DISPOSITION OF PROPERTY

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property unless such sale, lease, or other disposition is authorized at a meeting of the Members thereof by the affirmative vote of not less than two-thirds (2/3) of all the Members of the Cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors of the Cooperative, without authorization by the Members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine to secure any indebtedness of the Cooperative; provided further that the Board of Directors may, upon the authorization of a majority of those Members of the Cooperative present at a meeting of the Members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this state pursuant to the act under which this Cooperative is incorporated.

**ARTICLE XI
FISCAL YEAR**

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

**ARTICLE XII
MEMBERSHIP IN OTHER
ORGANIZATIONS**

The Cooperative shall not become a Member of or purchase stock in any other organization without an affirmative vote of the Members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed Membership or stock purchase, provided however, that the Cooperative may, upon the authorization of the Board of Directors, purchase stock in and/or become a member of any corporation on a non-profit basis, which:

- a) has the purpose of engaging in or furthering the cause of rural electrification, rural education, rural economic development of any kind or other similar programs which may benefit, directly or indirectly, the Membership,
- b) has the purpose of acquiring or operating electric generation, transmission and/or distribution facilities; or
- c) is an electric cooperative corporation organized under the Act.

**ARTICLE XIII
SEAL**

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

**ARTICLE XIV
AMENDMENTS**

These Bylaws may be altered, amended or repealed by not less than the affirmative vote of two-thirds (2/3) of all the Board of Directors at any Regular or Special Meeting.

REPRODUCED TO REFLECT OFFICIAL BYLAWS OF THE COOPERATIVE IN FORCE AND EFFECT AS OF AUGUST 17, 2011.