

SECTION II

BYLAWS

OF

**BAILEY COUNTY ELECTRIC
COOPERATIVE ASSOCIATION**

**BAILEY COUNTY ELECTRIC COOPERATIVE ASSOCIATION
610 East American Blvd.
MULESHOE, TEXAS 79347**

BYLAWS
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BAILEY COUNTY ELECTRIC COOPERATIVE ASSOCIATION
610 East American Blvd.
MULESHOE, TEXAS 79347

BYLAWS

The aim of Bailey County Electric Cooperative Association (hereinafter called the "Cooperative") is to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

ARTICLE I

MEMBERSHIP

SECTION 1. REQUIREMENTS FOR MEMBERSHIP

Any eligible person, firm, corporation, association, partnership, joint venture, or body politic, or subdivision thereof, may become a member in the Cooperative by:

- (a) Making a written or electronic application for membership therein;
- (b) Agreeing to purchase from the Cooperative electric energy as hereinafter specified; and
- (c) Agreeing to comply with, and be bound by, the Articles of Incorporation of the Cooperative, these Bylaws and any amendments thereto, and such rules and regulations as may from time to time be adopted by the Board of Directors
- (d) Paying the membership fee hereinafter specified;

Provided, however, that no eligible person, firm, corporation, association, partnership, joint venture, or body politic, or subdivision thereof, which shall become a member, shall be allowed a vote if said vote would indirectly violate Article III, Section 5, "Each member in person shall be entitled to only one (1) vote".

Provided, further, that no eligible person, firm, corporation, association, partnership, joint venture, or body politic, or subdivision thereof, shall become a member unless, and until, applicant has been accepted for membership under rules established by the Board of Directors or the members. At each meeting of the members held subsequent to the expiration of a period of six (6) months from the date of incorporation of the Cooperative, all applications received more than ninety (90) days prior to such meeting and which have not been accepted or which have been rejected by the Board of Directors shall be submitted by the Secretary of the Board of Directors to such meeting of the members and, subject to compliance by the applicant with the conditions set forth in subdivisions (a), (b), (c), and (d) of this section any such application for membership may be accepted by a vote of the members at such meeting. The Secretary shall give any such applicant at least ten (10) days' written notice of the date of the members' meeting to which the application will be submitted and such applicant shall be entitled to be present and heard at said meeting. No member may hold more than one (1) membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws, or the laws of Texas.

- (e) The Board will determine under rules and/or policies of general application the types and amounts of revenue streams, or the types and amounts of patronage that give rise to the

privileges of membership and to the allocation of patronage credits.

- (f) The Cooperative may have one or more classes of members in order to recognize differences in contribution to margin of different classes. If the Board establishes more than one class of membership, it shall determine the definitions, the types, the qualifications of rights of each class and make such information readily available to the membership.

Amended: Vol.XXXI, 3/16/87, 2

Amended: Vol.LIV, 7/22/19, 4

Section 2. MEMBER CERTIFICATES

- (a) Membership in the Cooperative shall be evidenced by a Certificate of Membership which shall be in such form, and shall contain such provisions, as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these Bylaws. Such certificate shall be signed by the Chairman and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto, or the requirement for a certificate can be satisfied by membership being evidenced on the books of the Cooperative. Signatures may be by facsimile or electronic.
- (b) No membership certificates shall be issued for less than the membership fee set forth in these Bylaws, nor until such membership fee has been fully paid for in cash and such payment has been deposited with the Treasurer.
- (c) In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefore upon such uniform terms and such indemnity to the Cooperative as the Board of Directors may prescribe. Certificates may be kept on file in the Cooperative office.

Amended: Vol.XIV, 1/24/66, 10

Amended: Vol.LIV, 7/22, 4

SECTION 3. JOINT MEMBERSHIP

Legal spouses may apply for joint membership and, subject to the compliance with the requirements set forth in Section I of this Article, may be accepted for such membership. -The term "member" as used in these Bylaws shall be deemed to include legal spouses holding a joint membership, and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one (1) member and shall constitute a joint waiver of Notice of the Meeting;
- (b) The vote of either, or both jointly, shall constitute one joint vote. (Both parties must be in agreement prior to casting their vote).
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute a notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or Director, provided that they meet the qualifications of such office.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 4. CONVERSIONS OF MEMBERSHIP

- (a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder's spouse to comply with the Articles of Incorporation, Bylaws and Rules and Regulations adopted by the Board of Directors. The Board shall take all necessary action to indicate the changed membership status.
- (b) Upon the death of either party to the joint membership, such membership shall be held solely by the survivor. The Board shall take all necessary action to indicate the changed membership status; provided, however, that the estate of the deceased spouse shall not be released from any debts due the Cooperative.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 5. 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 of this Article. Any such non-natural persons accepted, or continuing membership, must designate to the Cooperative an individual to represent its voting interest in any meeting of members or any other needed representation of that membership interests.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 6. MEMBERSHIP AND SERVICE CONNECTION FEES

The membership fee shall not be less than five (\$5.00) dollars. An additional fee may be charged for each service connection, extension, and other available service in accordance with Rules and Regulations established by the Board of Directors from time to time. Applicants whose financial responsibility is not a matter of general knowledge may be required to make advance payments -- the amount to be determined from the expected monthly or annual charges. The Cooperative, in order to safeguard its interest, may require an applicant or a member to make a suitable deposit to be held by the Cooperative as a guarantee of the payment of charges. The fact that a deposit has been made in no way relieves the applicant or member from complying with the Cooperative's regulations as to advance payments and the prompt payment of bills on presentation. At such time as the contract(s) is terminated, the amount of the deposit is credited to the member's account and any credit balance will be refunded. At the option of the Cooperative, such deposit may be refunded or credited to the member at any time prior to termination of the contract.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 7. PURCHASE OF ELECTRIC ENERGY

Each member shall purchase from the Cooperative services used on the premises specified in the application for service and shall pay therefore monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall furnish to any one member. It is expressly understood that amounts paid for services 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 by the member to the Cooperative as, and when, the same shall become due and payable.

Amended: Vol.IV, 1/18/48, 1

Amended: Vol.LIV, 7/22/2019, 4

SECTION 8. TERMINATION AND TRANSFER OF MEMBERSHIP

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe including payment in full of all debts and liabilities of such member to the Cooperative. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of all the Directors thereof, expel any member who shall have violated, or failed to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these Bylaws or any Rules or Regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such failure makes the member liable to expulsion and failure shall have continued for at least ten (10) days after such notice was given. Any member so expelled may be reinstated as a member by vote of the Board of Directors. The membership of a member who for a period of six (6) months after service is available and has not purchased such services from the Cooperative or of a member who has ceased to purchase from the Cooperative shall be cancelled. The action of the Board of Directors with respect to any such reinstatement shall be final.
- (b) Membership in the Cooperative, and a certificate representing same, shall not be transferable except as hereinafter otherwise provided and upon the death, cessation of existence, expulsion, or withdrawal of a member, the membership of such member shall be surrendered forthwith to the Cooperative; provided, however, that such termination of membership shall not release the member from the debts or liabilities of such member to the Cooperative.
- (c) A membership may be transferred by a member to himself or herself and his or her legal spouse, as the case may be, jointly upon the written request of such member and compliance by both with the provisions of subdivisions (b) and (c) of Section I of this article. Such transfer shall be made and recorded on the books of the Cooperative and such joint membership noted on the original certificate representing the membership so transferred.
- (d) When a membership is held jointly by a husband and wife, upon the death of either such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and, upon the recording of such death on the books of the Cooperative, the certificate may be reissued to, and in the name of, such survivor, provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative. The Cooperative shall repay the amount of the membership fee after first deducting there from any debts owed by the member to the Cooperative.

Amended: Vol.LIV, 7/22/2019, 4

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. PROPERTY INTEREST OF MEMBERS

Upon dissolution, after (a) all debts and liabilities of the Cooperative shall have been paid, and (b) all capital furnished through patronage shall have been retired as provided by these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and the proportion which the aggregate patronage of each bearers to the total patronage of all such members, unless otherwise provided by law.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 2. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE

The private property of the members of the Cooperative shall be exempt from execution, or other liability for the debts of the Cooperative and no member shall be individually liable, or responsible, for any debts or liabilities of the Cooperative.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 3. FORMER MEMBERS

A member whose membership has terminated shall continue to own the member’s capital credits according to Article VIII hereof. Upon any members ceasing to use services from the Cooperative for any reason, such member shall for such period of time as the member is not receiving services be considered a former member, and shall not be entitled to vote in any meeting or participate in the business of the Cooperative in any way.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 4. CONDITIONS OF SERVICE

The Cooperative will make reasonable provisions to supply steady and continuous electric service, but does not guarantee the electric service against fluctuations or interruptions. The Cooperative will not be liable for any damages, whether direct or consequential, including, without limitation, loss of profits, loss of revenue, or loss of production capacity, occasioned by fluctuations or interruptions unless it be shown that the Cooperative has not made reasonable provisions to supply steady and continuous electric service, consistent with the member’s class of service.

In the event of a failure to make such reasonable provisions (whether as a result of negligence or otherwise), COOPERATIVE’S LIABILITY SHALL BE LIMITED to the cost of necessary repairs or physical damage approximately caused by the service failure to those electrical facilities of member which were then equipped with the protective safeguards recommended or required by the then current addition of the National Electrical Code.

The Cooperative does not assume any duty of inspecting member’s wiring, apparatus, machinery, or equipment, and therefore will not be responsible for any defects therein. It is particularly understood that members assume full responsibility for electric current, and for the wires, apparatus and appurtenances used in connection therewith, from the point of delivery, and will protect, indemnify and save Cooperative harmless from all claims of injury, including death, or damage to person or property occurring from the point of delivery, occasioned by such electric current or said wires, apparatus, appurtenances.

Adopted: Vol.LIV, 7/22/2019, 4

ARTICLE III

MEETINGS OF MEMBERS

SECTION 1. ANNUAL MEETING

The annual meeting of the members shall be held the fourth Tuesday of August of each year, or as soon as possible thereafter, at a place and time determined by the Board of Directors, at such time and place 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. It shall be the responsibility of the Board of Directors to make adequate

plans and preparations for the annual meeting. 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.

Amended: Vol.VIII, 8/12/57, 2
Amended: Vol.XXXIX, 9/15/97, 3
Amended: Vol.L, 6/24/13, 6
Amended: Vol.LIV, 7/22/2019, 4

SECTION 2. SPECIAL MEETINGS

Special meetings of the members may be called by a resolution of the Board of Directors or upon a written request signed by at least three (3) Directors, 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 specified in the notice of the special meeting.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 3. NOTICE OF MEMBERS' MEETINGS

Written or printed notice stating the place, day, and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes, for which the meeting is called, shall be delivered to each member 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 upon a default in duty by the Secretary, by the persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the 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.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 4. QUORUM

A quorum shall be constituted by the attendance of 50 members present in person for the transaction of business at the meeting of the members. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

Amended: Vol.III, 1/6/47, 2
Amended: Vol.V, 2/9/53, 4
Amended: Vol.XXI, 3/24/75, 6
Amended: Vol.XXXVIII, 8/24/95, 6
Amended: Vol.LIV, 7/22/2019, 4

SECTION 5. VOTING

Each member in person shall be entitled to only one (1) vote, upon each matter submitted to a vote at a meeting of the members. The member may represent a person, firm, corporation, association, partnership, joint venture, or body politic. The member, however, shall be limited to one (1) vote,

whether or not they have multiple memberships. 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 legal spouses hold a joint membership, they shall jointly be entitled to one (1) vote, and no more, upon each matter submitted to a vote at a meeting of the members.

In any year which any of the nominees for election as Director, as determined in accordance to Article 4, Section 3, do not have formal challenges for the position after the posted deadline for nominating petitions, secret balloting for that Director position may be dispensed with respect to the election, and voting may be conducted in any other property manner.

At its discretion, the Board may authorize mail and/or electronic voting for elections and develop, by policy, methods of validation of ballots prior to the distribution of ballots in any give election cycle. Any mail or electronic balloting requirements and policies shall be developed and approved by the Board of Directors and reviewed on an annual basis.

Amended: Vol. IX, 10/12/59, 2
Amended: Vol.XXXI, 3/16/87, 3,4
Amended: Vol.XXXVIII, 8/24/95, 6
Amended: Vol.XXXIX, 6/17/96, 2
Amended: Vol.LIV, 7/22/2019, 4

SECTION 6. PROXIES

At all meetings of members, a member must be present in person and shall be entitled to only one (1) vote upon each matter submitted to a vote at a meeting of the members. No individual member shall be allowed to vote by proxy. Any person, firm, corporation, association, partnership, joint venture, or body politic may nominate a representative to vote their one (1) share. No one (1) person may vote more than one (1) vote representing a person, firm, corporation, association, partnership, joint venture, or body politic.

Amended: Vol. IX, 10/12/59, 2
Amended: Vol.XXXVIII, 8/24/95
Amended: Vol.LIV, 7/22/2019, 4

SECTION 7. ORDER OF BUSINESS

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

1. Calling of the roll.
2. Reading of the notice of the meeting and proof of the publication or mailing thereof or the waiver or the waivers of notice of the meeting, as the case may be.
3. Reading of the unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, Directors, and committees.
5. Election of Directors.
6. Unfinished Business.
7. New Business.
8. Adjournments.

Amended: Vol.LIV, 7/22/2019, 4

ARTICLE IV

DIRECTORS

SECTION 1. GENERAL POWERS

The business and affairs of the Cooperative shall be managed by a Board of seven (7) Directors which shall exercise all of the powers of the Cooperative except such as are by law or by the Articles of Incorporation or by these bylaws conferred or reserved to the members.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 2. QUALIFICATIONS AND TENURE

At the annual meeting of the members for the year 1950, two (2) Directors shall be elected by ballot by and from the members for a term of one (1) year, or until their successors shall have been elected and shall have qualified; two (2) Directors shall be elected by ballot by and from the members for a term of two (2) years, or until their successors shall have been elected and shall have qualified; and three (3) Directors shall be elected by ballot by and from the members for a term of three (3) years, or until their successors shall have been elected and shall have qualified. Directors will be elected by plurality vote of the members present and voting. In the case of a tie, a second vote shall be cast. In the event the result is a tie, such winner shall be determined by a method so determined by the Board. At each annual meeting, beginning with the year 1951, Directors shall be elected, by ballot by and from the members, to succeed those Directors whose terms of office shall have expired, to serve for a term of three (3) years, or until their successors shall have been elected and shall have qualified. Upon their election, Directors shall, subject to the provisions of these bylaws with respect to removal of Directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. When a membership is held jointly by legal spouses, either one, but not both, may be elected a Director; provided, however, that neither one shall be eligible to become, or remain, a Director, or to hold a position of trust in the Cooperative, unless both shall meet the qualifications of the Bylaws. Any member who is a natural person shall be eligible to become or remain a Director provided that the person:

- (a) Is a *member-user* in good standing and presently resides within the area served by the Cooperative, including the areas of villages, towns or cities within or adjoining to the boundaries of the area served by the Cooperative, and may be elected as a Director in the area in which the nominee resides. If a Director should move from within the boundaries of the area served by the Cooperative, the Director will no longer be eligible to serve on the Board.
- (b) May also be elected in the district adjacent to the district the person lives in. However, under no circumstance will there ever be more than two (2) directors living in the same district serving on the Board at the same time. This provision is to insure equitable representation on the Board to the geographical districts served by the Cooperative and further insure that the Directors of the Cooperative do not all come from the same district.
- (c) Is at least 18 years of age or older.
- (d) Is not employed by the Cooperative or in any way financially interested in, a competing enterprise or a business engaged in 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. However, the Board may grant exceptions for “deminimus” competing enterprises.
- (e) Shall not 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.
- (f) Is not a former employee of the Cooperative who was terminated for cause. A former employee who was not terminated for cause may be eligible to become a Director no sooner than a date five (5) years from the time the member's employment with the Cooperative ended.
 - (g) Has not, while a Director, and during the ten years immediately before becoming a Director, been convicted of, or plead guilty to, a felony, two (2) misdemeanors (excluding minor traffic violations) or any offense involving moral turpitude.
 - (h) Is not closely related to an incumbent Director or an employee of the Cooperative. As used in these Bylaws, "closely related" means a person who is a spouse, child, grandparent, parent, brother, sister, aunt, uncle, nephew or niece by blood or in-law, of the principal. However, no incumbent Director shall lose eligibility to remain or to be re-elected as a Director if he becomes a close relative of another Director or of a Cooperative employee because of a marriage to which he or she was not a party; neither shall an employee lose eligibility to continue in the employment of the Cooperative if he or she becomes a close relative of a sitting Director because of marriage to which he or she is not a party.
 - (i) To remain a Director, the incumbent must: (Moved from previous Article III, Section 4)
 - 1) Attend all meetings and to devote their talents and energies for the benefit of the Cooperative in a fiduciary capacity. Therefore, except for good cause shown, any Director who misses more than three (3) regular meetings in any twelve month period, beginning with the annual meeting, shall be automatically terminated as a member of the Board of Directors.
 - 2) Directors shall remain informed on industry information necessary to fulfill their fiduciary duties as a Director. Directors are encouraged, during each three-year term, to attend Board approved workshops and/or seminars related or pertaining to the continuing education, training, or industry information updates necessary to fulfill their duties as Directors.
 - 3) The Board of Directors serve in a fiduciary capacity with Bailey County Electric Cooperative Association, as each Director is required to be a member and consumer of the Cooperative. To avoid all conflicts of interest between Bailey County Electric Cooperative Association and its Director/Consumer, any Director except for good cause shown, who does not timely pay any and all amounts of money due to Bailey County Electric Cooperative Association within ten (10) days of the due date of said obligation shall be automatically terminated from their position on the Board of Directors.
 - (j) Upon establishment of the fact that a Director nominee or incumbent Director, is in violation of any of the provisions of this section, then that nominee or incumbent office shall be deemed vacant, and the Board shall take the necessary action to remove such nominee from the election or the incumbent from office.
 - (k) Nothing in this section shall affect in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors.

Amended: Vol. IV, 6/13/49
Amended: Vol. XII, 1/13/64
Amended: Vol. XII, 2/10/64
Amended: Vol. XIV, 9/26/66
Amended: Vol. XXV, 12/17/79

Amended: Vol. XXX, 3/17/86
Amended: Vol. XXXV, 6/22/92
Amended: Vol. XXXVII, 9/19/94
Amended: Vol. XXXIX, 6/17/96
Amended: Vol. XXXXIV, 5/24/04
Amended: Vol. XXXXVI, 6/26/06
Amended: Vol. XXXXVI, 12/18/06
Amended: Vol. XXXXVIII, 2/23/09
Amended: Vol. LIV, 7/22/2019, 4

SECTION 3. NOMINATIONS

The Board of Directors, after each annual meeting, will select a Committee on Nominations for the next succeeding annual meeting consisting of not less than five (5) and not more than eleven (11) members who shall be so selected as to give equitable representation on the committee to the geographical area served by the Cooperative. No officer or member of the Board of Directors shall be selected as a member of such Committee. The Committee shall prepare, and post at the principal office of the Cooperative at least twenty (20) days before the meeting, a list of nominations for Directors.

Any fifteen (15) or more members acting together may make other nominations by petition in writing not less than fifteen (15) days prior to the meeting and the Secretary shall post or cause to be posted a copy of such petition at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail, with the notice of the meeting or separately, but at least seven (7) days before the date of the meeting, a statement of the number of Directors to be elected and specifying the names and addresses of the candidates, separately the nominations made by the Committee on Nominations and the nominations made by the petition, if any. There will be no nominations from the floor.

Amended: Vol.V, 1/12/53, 5
Amended: Vol. XXXXII, 8/27/01
Amended: Vol. LI, 9/22/14
Amended: Vol. LIV, 7/22/2019, 4

SECTION 4. REMOVAL OF DIRECTORS AND OFFICERS

Any member or Board member may bring charges against an officer, or Director, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum (10%) of the members, and request the removal of such officer, or Director, by reason thereof. The petition shall be sworn to, and state with specificity, the grounds for such charges. Such Directors shall be furnished with a copy of the petition, by certified mail or in person, at least ten (10) days prior to a called or special meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and present evidence in respect to the charges, and the person or persons bringing the charges against the Director shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal shall be filled in accordance with Section 5 hereof.

Amended: Vol. LIV, 7/22/2019, 4

SECTION 5. VACANCIES

Subject to the provision of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the members or by the Board of Directors, a vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining Directors for the unexpired portion of the term.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 6. COMPENSATION

- a. Directors, as such, shall not receive any salary for their services, but, by resolution of the Board of Directors, a fixed sum and expenses of attendance, may be allowed for attendance at any meeting or portion of meeting of the Board of Directors, or any other meeting authorized by the Board of Directors including attendance of industry related conferences and training program. By resolution of the Board of Directors, the Cooperative may further provide reasonable group medical insurance and Directors' liability insurance.
- b. Except in emergencies, 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 such compensation shall be specifically authorized by a majority vote of the Board of Directors.

Amended: Vol.XVI, 3/25/68, 7

Amended: Vol.XXXVIII, 8/24/95, 7

Amended: Vol.XXXXIV, 5/24/04

Amended: Vol.LIV, 7/22/2019, 4

SECTION 7. LIABILITY OF DIRECTORS

Directors of the Cooperative shall not be liable to the Cooperative or its members for monetary damages for an act or omission in the director's capacity as a Director except that this section does not eliminate or limit the liability of a Director for:

- a) A breach of director's duty of loyalty to the Cooperative or its members.
- b) An act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law.
- c) A transaction from which a Director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the Director's office.
- d) An act or omission for which the liability of a Director is expressly provided for by statute; or
- e) An act related to an unlawful stock repurchase or payment of a dividend.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 8. RULES AND REGULATIONS

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

Amended: Vol.XXXVIII, 8/24/95, 7

Amended: Vol.LIV, 7/22/2019, 4

SECTION 9. ACCOUNTING SYSTEM AND REPORTS

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Cooperative lending institution. The Board of Directors shall also cause to be made a full and complete audit of the accounts, books, and financial condition of the Cooperative each calendar year, as of a date specified by the Board of Directors. Such audit reports shall be available to the members for examination at any time during office hours at the business office of the Cooperative, and at the following annual meeting.

Amended: Vol. XI, 11/13/61, 4,5
Amended: Vol.XXXVIII, 8/24/95, 7

SECTION 10. CHANGE IN RATES

Written notice shall be given to the administrator of the Cooperative’s lending institution not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

Amended: Vol.XXXVII, 4/18/94, 4
Amended: Vol.XXXVIII, 8/24/95, 7

ARTICLE V

MEETINGS OF DIRECTORS

SECTION 1. REGULAR MEETINGS

A regular meeting of the Board of Directors should be held without notice other than this bylaw, immediately after and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place within or without the state of Texas as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than the resolution fixing the time and place thereof.

Amended: Vol.XXXVII, 4/18/94, 4
Amended: Vol.LIV, 7/22/2019, 4

SECTION 2. SPECIAL MEETINGS

Special meetings of the Board of Directors may be called by the Chairman or by any three (3) Directors. The person, or persons, authorized to call special meetings of the Board of Directors may fix the time and place within or without the state of Texas for the holding of any special meeting of the Board of Directors called by them.

Amended: Vol. XXXVII, 4/18/94, 4
Amended: Vol.XXXIX, 8/18/97, 4
Amended: Vol.LIV, 7/22/2019, 4

SECTION 3. NOTICE OF DIRECTORS MEETINGS

Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each Director not less than three (3) days previous thereto, either personally or by mail, electronic facsimile telephone transmission, or by email, by or at the direction of the Secretary, or

upon a default in the duty by the Secretary, by the President or the Directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States' mail so addressed with first class postage thereon prepaid to the Director at the address as it appears on the records of the Cooperative. The attendance of a Director at any meeting shall constitute a "waiver of notice" in such meeting except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 4. QUORUM

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; provided that if less than a majority of the Directors are present at said meeting, a majority of the Directors may adjourn the meeting from time to time without further notice; and provided further, that the Secretary shall notify any absent Director of the time and place of such adjourned meeting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 5. MEETINGS BY TELEPHONE CONFERENCE OR OTHER REMOTE COMMUNICATIONS TECHNOLOGY

- a). Subject to the revisions required or permitted by law for notice of meetings, members of the Board of Directors of the Cooperative, or members of any committee designated by such board may participate in and hold a meeting of the Board, or the committee, by means of:
 1. By conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other; or
 2. Another suitable electronic communications system, including video-conferencing technology or the internet, only if:
 - a) Each member entitled to participate in the meeting consents to the meeting being held by means of that system; and
 - b) The system provides access to the meeting in a manner or using a method by which each member participating in the meeting can communicate concurrently with each other participant.
- b). Participation in a meeting pursuant to this Article shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 6. WAIVER OF NOTICE

Any member, or Director, may waive in writing any notice of meetings required to be given by these Bylaws. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting by such Director except in case a Director shall attend a meeting for the express purpose of objecting to a transaction of any business on the grounds that the meeting has not lawfully been called or convened.

Amended: Vol.LIV, 7/22/2019, 4

ARTICLE VI

OFFICERS

SECTION 1. NUMBER

The Officers of the Cooperative shall be a Chairman, Vice Chairman, Secretary, and Treasurer and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and of Treasurer may be held by the same person.

Amended: Vol.XXXIX, 8/18/97, 4

Amended: Vol.LIV, 7/22/2019, 4

SECTION 2. ELECTION AND TERM OF OFFICE

The officers shall be elected, by ballot, annually by and from the Board of Directors at the first (1st) meeting of the Board of Directors held after each annual meeting of the members. 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 vacancy of officers.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 3. REMOVAL OF OFFICERS AND AGENTS BY THE DIRECTORS

Any officer or agent elected or appointed by the Board of Directors may be removed by a majority vote of the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 4. VACANCIES

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

SECTION 5. CHAIRMAN The Chairman shall:

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

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

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

Amended: Vol.XXXIX, 8/11/97, 4

Amended: Vol.LIV, 7/22/2019, 4

SECTION 6. VICE-CHAIRMAN The Vice-Chairman shall:

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

Amended: Vol.XXXIX, 8/18/97, 4

Amended: Vol.LIV, 7/22/2019, 4

SECTION 7. SECRETARY The Secretary shall:

(a) ensure the minutes of meetings of the members and the Board of Directors are kept in one, or more, books provided for that purpose;

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

(c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;

(d) keep a register of the names and post office address of each member;

(e) sign with the Chairman certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors or members;

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

(g) keep on file at all times a complete copy of the 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 forward a copy of the bylaws, and all amendments thereto, to any member upon request; and

(h) 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.

(i) also have the authority, with the approval of the Board, to delegate a member of management, the authority to appoint employee(s) of the Cooperative to carry out certain administrative duties set forth in this section.

Amended: Vol.XXXIX, 8/11/97, 4

Amended: Vol.LIV, 7/22/2019, 4

SECTION 8. 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 moneys due and payable to the Cooperative from any source whatsoever and deposit all such moneys in the name of the Cooperative in such bank, or banks, as shall be selected in accordance with the provisions of these Bylaws; and

(c) 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.

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

Amended: Vol.LIV, 7/22/2019, 4

SECTION 9. PRESIDENT/CEO

The Board of Directors may appoint a President/CEO who may be, but who shall not be required to be, a member of the Cooperative. The President/CEO shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in the President/CEO.

Amended: Vol.XXXIX, 8/18/97, 4

Amended: Vol.LIV, 7/22/2019, 4

SECTION 10. BONDS OF OFFICERS

The Board of Directors may require the Treasurer, and 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.

Amended: Vol.LIV, 7/22/2019, 4

SECTION 11. COMPENSATION

The compensation, if any, of any officer, agent, or close relative of a Director, shall be determined by the Board of Directors as provided elsewhere in these Bylaws and the powers, duties, and compensation of any other officer, agent, and employee shall be fixed by the Board of Directors.

Amended: Vol.XXXVIII, 8/24/95, 7

Amended: Vol.LIV, 7/22/2019, 4

SECTION 12. REPORTS

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

SECTION 13. INDEMNIFICATION OF OFFICERS AND DIRECTORS

- a) Indemnification for expenses and liability. Every Director and officer of the cooperative shall be indemnified by the cooperative against all judgments, penalties, fines, liabilities, amounts paid in settlement and reasonable expenses, including counsel fees actually incurred by or imposed upon such Director or officer in connection with any proceeding to which the Director or officer was, or is threatened to be made a party, or in which the Director or officer of the cooperative, whether or not the Director or officer is a Director or officer, at the time such expenses are incurred, to the maximum extent consistent with the provisions of Article 2.22A of the Texas Non-Profit Corporation Act; provided that in the event of a settlement of the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interests of the Cooperative. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.
- b) Power to purchase insurance. The Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a

Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the person and incurred by the person in any such capacity, or arising out of the person's status as such, whether or not the Cooperative would have the power to indemnify the person against such liability under the provision of this section.

- c) Continuing offer, reliance. The provisions of this section are for the benefit of, and may be enforced by, each Director and officer of the Cooperative as a contract for valuable consideration and constitute a continuing offer to all present and future Directors and officers of the Cooperative. The Cooperative, by the adoption of this section agrees that each present and future director and officer of the Cooperative has relied upon and will continue to rely upon the provisions of this section in accepting, serving or continuing to serve as a Director or officer.
- d) Effect of Amendment. No amendment, modification or repeal of this section or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Director or officer of the Cooperative to be indemnified by the Cooperative, nor the obligation of the Cooperative to indemnify any such Director or officer, under and in accordance with the provisions of the section as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 14. CATASTROPHIC LOSS OF BOARD MEMBERS.

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

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 15. QUORUM DURING CATASTROPHE.

In the event of a catastrophic loss as defined in Section 14, the traditional quorum requirements are simplified pending the appointment of new Board members, in order to allow the remaining Board members to meet and conduct business. All actions of the Board during this time period shall stand for ratification at the next Board meeting wherein a traditional quorum is present.

Adopted: Vol.LIV, 7/22/2019, 4

ARTICLE VII

CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. CONTRACTS

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

SECTION 2. CHECKS, DRAFTS, ETC.

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

Amended: Vol.LIV, 7/22/2019, 4

SECTION 3. DEPOSITS

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

SECTION 4. FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first (1st) day of January of each year and end on the thirty-first (31st) day of December of the same year.

Amended: Vol.LIV, 7/22/2019, 4

ARTICLE VIII

NON-PROFIT OPERATION

SECTION 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED

The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC SERVICE

- (a) In the furnishing of electric services (patronage business) the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative.
- (b) In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to its patrons for all amounts received and receivable from, and directly related to the furnishing of electric services, in excess of operating costs and expenses properly chargeable against the furnishing of Electric services, herein after referred to as margins from patronage business. All such margins from patronage business at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The

Cooperative is obligated to pay by credits to a capital account for each patron all such net margins. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account.

- (c) All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.
- (d) If the costs and expenses exceed the amounts received and receivable from patronage business, hereinafter referred to as "loss", then the Board shall have the authority under accepted accounting practices, loan covenants and tax law to prescribe the manner in which such loss shall be handled.
- (e) In the event of dissolution or liquidation of the Cooperative, after all outstanding 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 both current and former patrons' accounts may be retired in full or in part the Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital. Such method, basis, priority and order of retirement considered by the Board may include the retirement of amounts furnished as capital at a discount determined by the Board.
- (f) Capital credited to the account of each member and/or patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such member's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise
- (g) Pursuant to the written order of any bankruptcy court or referee in bankruptcy, capital credits 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 Bankruptcy Act of the United States. Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any member 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 representative of the 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 these 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 a total equity calculation amount as determined by the Board; provided, however, that the financial condition of the Cooperative will not be impaired thereby.
- (h) The Cooperative, before retiring any capital credit to any member's account, shall deduct there from any amount owing by such member to the Cooperative, together with interest thereon at the Texas legal rate on judgments in effect when such amount first became overdue, compounded annually. This provision shall apply to all refunds of capital credits.
- (i) In the event of a voluntary dissolution of a corporation who is a member of the Cooperative in good standing and current on all bills, allow for the assignment of capital credits owned by such dissolving corporation to the individual owners of such corporation if such owners

are members of the Cooperative in good standing.

- (j) Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time to retire Capital Credits to any former or inactive member in an amount of \$25.00 or less, upon such terms and conditions as the Board of Directors may desire, providing that the financial condition will not be impaired thereby.
- (k) Patronage capital ordered to be retired by the Board of Directors shall from the date of such order constitute indebtedness of the Cooperative to the patron, the patron's heirs, executors or assigns. Such indebtedness shall be enforceable by the patron, the patron's heirs, executors or assigns, against the Cooperative in accordance with the laws of the State of Texas. In opposition to any effort to collect such indebtedness, the Cooperative may assert any defense thereto available to it under the laws of the State of Texas.

Amended: Vol. LIV, 7/22/2019, 4
Vol. LIV, 10/28/19, X

SECTION 3. MARGINS FROM NON-PATRONAGE BUSINESS

All other amounts received by the Cooperative from its operations in excess of costs and expenses other than from patronage business, insofar as permitted by law, shall be used by the Cooperative:

- (a) to offset any losses incurred during the current or any prior fiscal year,
- (b) as retained capital not assignable to the members except in the event of dissolution of the Cooperative, unless otherwise directed by the Board, and
- (c) to the extent not needed for these purposes, allocated to its patrons on a patronage basis at the discretion of the Board, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

Amended: Vol. IV, 1/18/48, 3,4
Amended: Vol. XIII, 2/22/65, 6,7
Amended: Vol. XXX, 2/17/86
Amended: Vol. XXXIII, 11/20/89, 4
Amended: Vol. XLIX, 11/22/10
Amended: Vol. LIV, 7/22/2019, 4
Vol. LIV, 10/28/19, 5

SECTION 4. PATRONAGE CAPITAL POLICIES

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

Adopted: Vol. LIV, 7/22/2019, 4

SECTION 5. PATRONAGE REFUNDS IN CONNECTION WITH GENERATION AND TRANSMISSION ACCRUED CAPITAL

The Cooperative, by affiliation with a Generation and Transmission (G & T) Cooperative may

accrue capital by way of credits issued by the G & T. The G & T is obligated to pay by credits to a capital account for each of its members, all such amounts in excess of operating costs and expenses. The books and records of the G & T shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, shall be allocated and credited to the Cooperative in the form of Capital Credit Certificate.

After each year in which the G & T allocates Capital Credits to the Cooperative, the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each of its patrons of the amount of the G & T Capital so credited to their capital account. All such amounts credited to the G & T Capital Account of any patron shall have the same status as though they had been paid to the patron in cash pursuant to a legal obligation and the patron had then furnished to the Cooperative a corresponding amount for the G & T Capital.

G & T Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or 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 provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time to retire G & T CAPITAL CREDITS to the members of the Cooperative, BUT ONLY THAT CAPITAL THAT HAS BEEN REFUNDED to the Cooperative BY THE G & T. Any such retirements of G & T Capital shall be decided by the Board of Directors.

Adopted: Vol. XXXVII, 4/18/94,5

Amended: Vol.LIV, 7/22/2019, 4

Vol. LIV, 10/28/19, 5

SECTION 6. PATRONS ACKNOWLEDGEMENT

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provision 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.

Adopted: Vol. LIV, 10/28/19, 5

SECTION 7. DEFINITIONS

As used in this article "Patron" shall mean a member in accordance with the provisions of these Bylaws.

Adopted: Vol.LIV, 7/22/2019, 4

Amended: Vol. LIV, 10/28/19, 5

ARTICLE IX

DISPOSITION OF PROPERTY

SECTION 1. DISPOSITION OF PROPERTY

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

Property which in the judgement of the Board of Directors neither is, nor will be, necessary or useful in operating and maintaining the Cooperative system and facilities; provided, however, that all sale of such property shall not in any one (1) year exceed the value ten (10)% per centum of the value of all the property of Cooperative.

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 the Cooperative, without authorization by the members there, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income there from, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative, provided further that the Board may upon the authorization of a majority of the members of the Cooperative, sell, lease, or otherwise dispose of all or a substantial portion of is property to another Cooperative doing business in this State pursuant to the Act under which this Cooperative is incorporated.

After such authorization by vote of members, the Board of Directors, nevertheless, in its discretion, may abandon such sale, lease. exchange or other disposition of assets, subject to the right of third parties under any contracts relating thereto, without further action or approval by the members; provided, however, that, notwithstanding anything herein contained, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, Reconstruction Finance Corporation, or any agency or instrumentality thereof, or the National Rural Utilities Cooperative Finance Corporation, and, in connection with such borrowing, to authorize the making and issuance of bonds, notes or other evidences of indebtedness and, to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, deed or deeds of trust upon, or the pledging or encumbrance of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Corporation, wherever situated, and whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors shall determine.

Property which in the judgment of the Board of Directors neither is, nor will be, necessary or useful in operating and maintaining the Cooperative system and facilities; provided, however, that all sale of such property shall not in any one (1) year exceed in value ten per centum (10%) of the value of all of the property of the Cooperative.

Amended: Vol.LIV, 7/22/2019, 4

ARTICLE X

MISCELLANEOUS

SECTION 1. MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative may become a member or purchase ownership interests in any other profit or non-profit organization(s), and associations, entities, partnerships, or joint ventures when the Board

finds that the general or long-term interests of its membership will be served by such investments or participation.

Amended: Vol.XI, 11/13/61, 5

Amended: Vol.XI, 1/8/62

Amended: Vol.XXXI, 1/19/87, 2

Amended: Vol.XXXVIII, 8/24/95, 7

Amended: Vol.LIV, 7/22/2019, 4

SECTION 2. RULES AND REGULATIONS

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

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 3. ACCOUNTING SYSTEM AND REPORTS

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body shall confirm to such accounting system. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such reports shall be submitted to the members at the next following annual meeting.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 4.

Any provisions contained in these Bylaws as may be found to be in conflict with any laws now in existence or as may be hereafter passed shall be deemed to contain such words as would be in accordance of said laws, and these Bylaws shall at all times be construed as containing such words as would be in conformity with the laws of the land.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 5.

Should any part of these Bylaws be held to be unconstitutional or illegal, the same shall have no effect upon the remaining portions of said Bylaws.

Adopted: Vol.LIV, 7/22/2019, 4

SECTION 6.

The obligations and relationships of the Cooperative to its members and those of the members to the Cooperative are hereby made performable at the office of the Cooperative in Muleshoe, Bailey County, Texas and all suits shall be brought and maintained in Bailey County, Texas.

Adopted: Vol.LIV, 7/22/2019, 4

ARTICLE XI

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 XII

AMENDMENTS

These bylaws may be altered, amended, or repealed by the Board of Directors at any regular or special meeting, except as to such portion hereof as the law may require to be passed on by the members of said Cooperative in which event the same may be altered, amended or repealed at any regular or special meeting of said members, provided such notice of such meeting shall have been given as is required by these Bylaws and the laws of the State of Texas.

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