

It shall be the aim of Rusk County Electric Cooperative, Inc. to make electric energy available to its members at the lowest cost consistent with sound business principles.

**BY-LAWS
OF
RUSK COUNTY
ELECTRIC COOPERATIVE, INC.**

AS AMENDED August 16,1972, September 6,1972, August 14,1973, March 29,1973, October 11, 1979, October 8,1980, December 16,1980, January 18,1983, April 19, 1983, June 21, 1988, December 20, 1988, March 19, 1991, October 19,1993, September 18, 2001, July 15, 2003, June 18, 2013, July 16, 2013, November 19, 2013, July 21, 2015, September 22, 2015, May 24, 2016, June 21, 2016, and July 31, 2018, June 25, 2019.

**ARTICLE I
MEMBERS**

SECTION 1. *Qualifications and Obligations.* Any person, firm, corporation, body politic, or any other legal entity having a dwelling, structure, apparatus, or point of delivery located in Rusk County Electric Cooperative, Inc.'s (hereinafter called the "Cooperative") service territory that is not receiving central station service, as defined in Tex. Util. Code Ann. § 161.002(3) as amended from time to time, from another source, may become a member of the Cooperative by:

- (a) Paying the membership fee hereinafter specified;
- (b) Agreeing to purchase from the Cooperative, electric power or energy or as determined by the Cooperative, other goods or services relating to electric power or energy as hereinafter specified; and
- (c) Agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative and these By-Laws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors.

For good cause determined by the Board of Directors, the Board may refuse an applicant membership in the Cooperative.

No person, firm, corporation or body politic may own more than one (1) membership in the Cooperative.

As a condition of membership, members acknowledge and agree to be bound by the privacy and confidentiality provisions of the Cooperative as set forth in Board Policy No. 28.

Members further agree to permit entry upon land adjacent to any Cooperative easement by Cooperative employees or their designees for the purpose of pruning or removing any trees that

are structurally unsound due to insect infestation, damage, or disease, and could strike electric lines upon falling.

Members further expressly grant permission for Cooperative personnel or their designees to contact them by telephone or other electronic means for purposes related to billing, outages, service matters, or other causes reasonably related to the business of the Cooperative and furnishing electric power supply and any related services to members.

SECTION 2. *Membership Fee.* The membership fee shall be five (\$5) dollars or such other amount as the Board of Directors shall specify in a resolution properly recorded in the minutes of a meeting of the Board of Directors. The payment of this fee, as well as any other service fees as determined by the Board, shall make the member eligible for service.

SECTION 3. *Joint Membership.* A husband and wife may apply for a joint membership by signing and accepting such application for membership and subject to their compliance with the requirements set forth in Section 1 of this Article. The term “member” as used in these By-Laws shall be deemed to include a husband and wife holding jointly a 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 with respect to the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either shall be regarded as the presence of one member and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A proxy executed by either or both shall constitute one joint proxy;
- (d) A waiver of notice signed by either or both shall constitute a joint waiver;
- (e) Notice to either shall constitute notice to both;
- (f) Expulsion of either shall terminate the joint membership; and
- (g) Withdrawal of either shall terminate the joint membership.

SECTION 4. *Conversion of Membership.* A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, By-Laws and rules and regulations adopted by the Board of Directors. The outstanding application for membership shall be changed by the Cooperative in such manner and shall indicate the changed membership status.

Upon divorce, annulment, legal separation, or other declaration that a marriage is void, the joint membership shall terminate; however, if one of the joint members continues to use the

Cooperative's service at the same location, then the joint membership shall convert to an individual membership in the name of that member.

SECTION 5. *Purchase of Electric Energy.* Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises referred to in the application of such member for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by resolution of the Board of Directors; provided, however, that the electric energy which the Cooperative shall furnish to any member may be limited to such an amount as the Board of Directors shall from time to time determine and that each member shall pay to the Cooperative such minimum amount per month as shall be fixed by the Board of Directors from time to time, regardless of the amount of electric energy consumed. Each member shall also pay all obligations which may from time to time become due and payable by such member to the Cooperative as and when the same shall become due and payable.

SECTION 6. *Property Interest of Members.* Upon dissolution, the property and assets of the Cooperative shall be distributed in the following manner:

- (a) All debts and liabilities of the Cooperative shall be paid first;
- (b) All capital furnished through patronage shall be retired thereafter as provided in these By-Laws; and
- (c) The remaining property and assets of the Cooperative shall be distributed pro rata to the members who were members at the time of the filing of the certificate of dissolution.

SECTION 7. *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 members shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 8. *Cancellation of Membership.* The Board of Directors of the Cooperative may cancel membership in the Cooperative upon the following terms and conditions, with or without the consent of the member and at the sole direction of the Cooperative:

- (a) When the member fails to timely pay any amounts due the Cooperative;
- (b) When the member dies, legally dissolves, or legally ceases to exist;
- (c) When the member ceases using electric service;
- (d) After signing a new application for membership and the new member has not begun using electricity within sixty (60) days thereafter and the Cooperative has promised to make service available;
- (e) When the member voluntarily requests termination;

- (f) When the Cooperative equipment used to provide Cooperative service has been tampered with, altered, interfered with, damaged, or impaired;
- (g) If it becomes apparent that the Cooperative will be unable to provide the member electric service;
- (h) Cancellation of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

SECTION 9. *Transfer of Membership.*

- (a) Memberships in the Cooperative shall not be transferable.
- (b) 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, provided, however, that the estate of the deceased shall be released from any membership debts or liabilities to the Cooperative.

SECTION 10. *Voting Districts.* The territory served or to be served by the Cooperative shall be divided into seven districts. Each district shall be represented by one Director. Periodically, based on population, geography, and membership considerations, as well as county, municipal, highway, natural, and other boundaries, or other equitable considerations determined by the Board, the Board may redraw voting districts to promote equitable representation of Members throughout the Cooperative service area. The present seven districts are as follows:

- District No. 1 - Beginning Cherokee County Line west of Price, going east up Price and Troup Road on Highway 13 to the town of Price; then south on Highway 42 to where it intersects Highway 79 then northeast on Highway 79 to Henderson. This district extends north on Highway 259 to Kilgore and all territory north and west to the end of our lines.
- District No. 2 - Beginning Henderson going north on Highway 259 to Kilgore; from Henderson on Highway 43 to Old Tatum Road, FM 1716 through Oak Hill on to FM 782 onto FM 1797 to Tatum at Highway 43; from Tatum to Sabine River and all territory north to the end of our lines.
- District No. 3 - Beginning Tatum, going south on road known as County Line Road to U.S. Highway 79, Henderson and Carthage Road; turn east to Carthage and follow Highway 79 east through Carthage to Sabine River and all territory north and east to the end of our lines.
- District No. 4 - Beginning Henderson going northeast on Highway 43 to Old Tatum Road, FM 1716 through Oak Hill onto FM 782 onto FM 1797 to Tatum: from Tatum south on road known as County Line Road FM 3231 to intersection with U.S. Highway 79 onto FM 1798 through

- Pine Hill, Brachfield, and through Minden to Highway 259; then turn north to Highway 259 to Henderson.
- District No. 5 - Beginning Cherokee County Line west of Price, going east up Price and Troup Road to town of Price on Highway 13; turn south down Highway 42 to Highway 79; then northeast on Highway 79 to Henderson. From Henderson this territory extends south on Highway 259 to intersection of Minden Laneville Highway 1798, turn southwest to Laneville, then directly south of Laneville on Laneville and Cushing Road, Highway 225 and includes all territory south and west to the end of our lines.
- District No. 6 - Beginning boundary Rusk County and Nacogdoches County Line on Highway 225 going north to Laneville; turn east at Laneville on FM 1798 from Laneville to Minden from Minden to Brachfield, turn southeast at Brachfield on FM 840 to Highway 315, turn east to Rusk and Panola County Line, following Rusk and Panola County Line south; then following south boundary of Panola County Line east to Highway 59. It also includes all territory south to the end of our lines.
- District No. 7 - Beginning southeast of Brachfield at intersection of FM 840 and Highway 315; turn east of Rusk and Panola County Line; follow Rusk and Panola County Line south; turn east on Rusk and Panola County Line then follow south boundary of Panola County Line to Highway 59; includes all territory east to Sabine River and following river up to Highway 79, then west on Highway 79 through Carthage to Rusk and Panola County Line; turn south on FM 1798 through Pine Hill to Brachfield; then south on FM 840 to intersection of Highway 315.

SECTION 11. *Nomination of Directors.* It shall be the duty of the Board of Directors to appoint a nominating committee at the regular meeting of the Board of Directors in January. The nominating committee shall consist of not more than eleven members, at least one of whom shall be selected from each of the districts of the project so as to insure equitable representation. No member of the Board of Directors may serve on such committee.

The committee shall prepare and post at the principal office of the Cooperative by the first Friday of the month preceding the Annual Meeting a list of nominations for Directors.

Any fifty (50) or more members acting together, who are bona fide residents of the district from which the director is to be elected, may make other nominations by petition by the second Friday of the month preceding the Annual Meeting and the Secretary shall cause to be posted such nominations at the same place where the list of nominations made by the committee is posted.

The Secretary shall cause to be mailed with the notice of the meeting or separately, but at least ten days before the date of the meeting, a statement of the number of Directors and nominees to be arranged by districts, and shall specify separately the nominations made by the committee on nominations and also the nominations made by petition, if any.

The members may, at any meeting at which a Director or Directors shall be removed as herein provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations, except that the new Director must reside in the same district as the Director in respect of whom the vacancy occurs.

Notwithstanding anything contained in this section, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of Directors.

SECTION 12. *Election of Directors.* Election of Directors shall be by ballot. The ballots shall list the candidates nominated by the committee on nominations and by petition, if any, arranged by districts. Each member of the Cooperative shall be entitled to vote for one candidate from each district. The candidate from each district receiving the highest number of votes at such meeting shall be considered elected as Director. If the result of the vote is inconclusive, the President of the Board of Directors shall order a recount, to be started immediately, with the result of the recount to be announced as soon as practical. If any recount is inconclusive, it shall be submitted to vote of the Board of Directors, at the next regularly scheduled meeting of the Board of Directors. The result of the election of directors shall be announced during the Annual Members' Meeting, so long as this is practical, or if such announcement is not practical, within 48 hours of the end of the Meeting of Members, or, if necessary, the vote of the Board of Directors, by means to be prescribed by the Board of Directors.

SECTION 13. *Removal of Directors and Officers.* Any member may bring charges against an Officer or Director by filing them in writing with the Secretary, together with a petition signed by ten percent (10%) of the members, 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, provided, however, that in the case of Directors the member elected as Director to fill the vacancy so created must be a bona fide resident of the same district as the Director to whose office he succeeds. The Director or Officer against whom such charges have been brought shall be informed in writing of the charges prior 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 14. *Dispute Resolution.* A Member may submit a claim or dispute between the Member and the Cooperative regarding these bylaws or any other governing document, including without limitation, the construction of said documents, or application of the bylaws and governing documents in any particular situation, to the Board of Directors for Resolution. The Board of Directors may establish a policy setting a procedure for submitting a claim or dispute to the Board. If the Board of Directors is unable to resolve the dispute, then the Cooperative and the Member shall cooperate to select one or more mediators to help resolve the dispute. If there is no resolution of the dispute through mediation, any party may demand binding arbitration as provided under the laws of the State of Texas.

ARTICLE II MEETING OF MEMBERS

SECTION 1. *Annual Meeting.* The annual meeting of the members shall be held in May,

or in any other Month chosen by the Directors, on a date to be set by the Board of Directors, beginning with the year 1991, at such place in Henderson in the County of Rusk, State of Texas, 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 election of Directors shall not be held on the day designated herein to 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. ALL annual meetings shall be conducted in compliance with ROBERT'S RULES OF ORDER. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the cooperative.

SECTION 2. *Special Meetings.* Special Meetings of the members may be called by the Board of Directors, a majority of the Directors, the president of the Board, or upon a written request signed by at least ten percent (10%) of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special Meetings of the members may be held at such time and place as the Board of Directors, by resolution direct.

SECTION 3. *Notice of Member's 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 twenty (20) days before the date of the meeting, either personally by mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each member; provided, however, that with respect to all meetings at which Directors are to be elected such notice shall be delivered not less than ten (10) days nor more than twenty (20) days before the date of the meeting. 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 paid. 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 such meeting.

SECTION 4. *Quorum.* Twenty percent (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 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. In this connection, all members of the Cooperative voting by mail as hereinafter provided shall be considered as members being present in person. 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.

SECTION 5. *Voting.* Each member who is a member of the Cooperative of record on the date the notices of the applicable meeting are mailed, shall be entitled to one 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 the majority of members voting thereon, except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these By-Laws. If a husband or wife hold a joint membership, they shall jointly be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members.

The Board of Directors shall cause to be prepared a ballot listing all candidates for

Directors as well as all matters to be submitted to a vote of the membership at any meeting of the members of the Cooperative and such ballot as so prepared under the direction of the Directors of said Cooperative, shall be mailed to each member entitled to vote at the same time the notice of such meeting is mailed. Except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these By-Laws, each member shall have the right to vote at such meeting in one of the following ways:

- (a) By being present in person at any such meeting, casting or marking his ballot, but same shall be voted and not otherwise if present in person after the meeting is called to order and not before, except such member that elects to vote by United States Mail as hereinafter provided in Paragraph (b).
- (b) By using the Official Ballot prepared under the direction of the Board of Directors of the Cooperative and mailed to each member in the manner as per the instructions given in a letter mailed with each such Ballot. If the members so elect to vote by mail, such Ballot must be deposited in the United States Mail in sufficient time and be received in the office of the Cooperative in Henderson, Texas, or at such other locations as may be designated under the direction of the Board of Directors, not later than 10:00 A.M. on the day of such meeting.

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

- (a) Call to order and Certification of Quorum;
- (b) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
- (c) Reading, or waiver of reading, of unapproved minutes of previous meetings of the members, and the taking of necessary action thereon;
- (d) Presentation and consideration of reports of Officers, Directors and committees;
- (e) Election of Directors;
- (f) Unfinished business;
- (g) New business;
- (h) Financial Report (may be in printed form); and
- (i) Adjournment.

ARTICLE III 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 of the Cooperative or by these By-Laws conferred upon or reserved to the members.

SECTION 2. *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. At each annual meeting of the members beginning with the year 1981, Directors shall be elected by ballot, by and from the members to serve and shall hold office of Director for such term and shall possess the qualifications all as is provided in the By-Laws of said Cooperative.

The number of Directors shall be seven (7) and the (7) Directors of said Cooperative elected at the annual meeting of the members of said Cooperative held for the year 1981 shall determine by lot, which three (3) shall serve for three (3) years, and which three (3) shall serve for two (2) years, and which one (1) shall serve for one (1) year. The Directors so elected drawing number One (1), Two (2) and Three (3) shall serve for a term of three (3) years, and those Directors drawing numbers Four (4), Five (5) and Six (6) shall serve for a term of two (2) years, and the Director drawing number Seven (7), shall serve a term of one (1) year, and thereafter upon the expiration of the term of any Director determined by lot as hereinabove provided, the election of Directors to fill such vacancy shall be elected at the annual meeting of the members of said Cooperative held for that year, and such Director or Directors, shall hold office of Director for such term and shall possess the qualifications all as is provided in the By-Laws of said Cooperative with respect to the removal of Officers.

No member is eligible to become or remain a Director or to hold any position of trust in the Cooperative who is not a bona fide resident in the area served by the Cooperative and of the district which he is elected to represent, or who is regularly, directly, and substantially employed by or financially interested in a competing enterprise or a business selling goods or services to 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, if holding such office would create a potential conflict of interest with the Director's service to the Cooperative. Further, no current employee, or former employee of the Cooperative within seven (7) years of the date of termination of his employment, or any relative of such current or former employee **or** an existing Director within the second degree of consanguinity or affinity shall hold office as a Director of RCEC. No person shall be eligible to become or remain a Director of the Cooperative who does not have the capacity to enter legally binding contracts. When a membership is held jointly by a husband and wife, 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 hereinabove set forth. 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.

SECTION 3. *Vacancies.* Subject to the provisions of these By-Laws with respect to the removal of Directors, vacancies occurring on the Board of Directors shall be filled by a majority vote of the remaining Directors and Directors thus elected shall serve until the next annual meeting

of the members or until their successors shall have been elected and shall have qualified. The member elected as Director to fill a vacancy must reside in the same district as the Director to whose office he succeeds.

SECTION 4. *Compensation.* Board members shall not receive any salary for their services as such, except that members of the Board, by resolution, may authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, training programs, performing committee assignments and other similar efforts related to Cooperative business when such attendance is authorized by the Board. If so authorized, board members also may be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or be granted a reasonable allowance by the Board in lieu of detailed accounting for some of these expenses. No board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a board member receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or the service by the board member or his or her close relative shall have been certified by the Board as an emergency measure. However, in consideration for serving as a Director, as determined by the Board, and without granting a Director or former Director any contract or other vested rights, the Cooperative may provide insurance or other benefits to a Director after he/she ceases serving as Director. After a Director ceases serving as a Director, the Board shall determine or approve, and may change or eliminate for any reason, the manner, method, and amount of any benefits provided to the former Director.

SECTION 5. *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 By-Laws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 6. *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 Rural Utilities Service of the United States of America. The Board of Directors shall also within thirty (30) days 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.

SECTION 7. *Change in Rates.* Written notice shall be given to the Rural Utilities Service 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.

SECTION 8. *Indemnification for Expenses and Liability.* Every Director, Officer, and employee of the Cooperative shall be indemnified by the Cooperative against all judgments, penalties, fines, liabilities, amounts paid in settlement, and reasonable expenses, including counsel fees actually incurred by or imposed upon him or her in connection with any proceeding to which he or she was, is or is threatened to be made party, or in which he or she may become involved, by reason, in whole or in part, of being or having been a Director, Officer or employee at the time such expenses are incurred, to the maximum extent consistent with the provisions of Tex. Util.

Code Ann. §161.078 as amended from time to time; provided that in the event of settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interest of the Cooperative. The foregoing right and indemnification shall be in addition to and not exclusive of all other rights to which such Director, Officer or employee may be entitled.

SECTION 9. *Protection from Liability.* If a Director complies with this bylaw, then the Director is not liable to the Cooperative, any member, or any other individual entity for action taken, or not taken, as a Director. This section shall not eliminate or limit the liability of a Director for:

- (a) a breach of a 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;
- (e) an act related to an unlawful stock repurchase or payment of a dividend; or
- (f) an act committed before August 31, 1987.

No Director is deemed a Trustee regarding the Cooperative or any property held or administered by the Cooperative, including without limit, property potentially subject to restrictions imposed by the property's donor or transferor.

ARTICLE IV MEETINGS OF DIRECTORS

SECTION 1. *Regular Meetings.* A regular meeting of the Board of Directors shall be held monthly at such time and place as the Board of Directors may provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. *Special Meetings.* Special Meetings of the Board of Directors may be called by the President or a majority of the 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 3. *Notice.* A notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least five (5) days prior thereto by written notice, delivered

personally or mailed, to each Director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, so addressed, with postage thereon prepaid. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

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 is present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice. In the event that the President and Vice-president are absent, a quorum of the Board of Directors may select a presiding Officer.

SECTION 5. *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.

SECTION 6. *Conflict of Interest Transaction.* A conflict of interest transaction is a transaction with the Cooperative in which a Director has a direct or indirect interest (“Conflict of Interest Transaction”).

- (a) **Indirect Interest.** A Director has an indirect interest in a Conflict of Interest Transaction if at least one (1) party to the transaction is another entity:
 - (1) in which the Director has a material interest or is a general partner; or
 - (2) of which the Director is a Director, Officer, or Trustee.
- (b) **Approval of Conflict of Interest Transaction.** Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and any Board Quorum satisfied, if the Conflict of Interest Transaction’s material facts, and the Director’s interest, are disclosed or known to the Board and a majority of more than one (1) Director with no interest in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction.
- (c) **Fair Conflict of Interest Transaction.** A Conflict of Interest Transaction that is fair when entered is neither:
 - (1) voidable; nor
 - (2) the basis for imposing liability on a Director interested in the Conflict of Interest Transaction.

ARTICLE V OFFICERS

SECTION 1. *Number.* The Officers of the Cooperative shall be a President, Vice-President, Secretary, Treasurer, and an Assistant Secretary and Treasurer. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 2. *Election and Term of Office.* The Officers shall be elected by affirmative vote of a majority of Directors in office 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 possible. 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 By-Laws with respect to the removal of Officers.

SECTION 3. *Removal.* Any Officer or agent, elected or appointed, by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Cooperative will be served thereby.

SECTION 4. *Vacancies.* Except as otherwise provided in these By-Laws, a vacancy in any office may be filled by the Board of Directors for the un-expired portion of the term.

SECTION 5. *President.* The President:

- (a) shall be the principal Executive Officer of the Cooperative and shall preside at all meetings of the Board of Directors;
- (b) may sign any deeds, mortgages, deeds of trusts, 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 By-Laws to some other Officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed;
- (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; and
- (d) authenticate minutes of board meetings after approval by the Board of Directors.

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

SECTION 7. *Secretary.* The Secretary shall:

- (a) insure that the minutes 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 By-Laws or as required by law;
- (c) authenticate Minutes of Board meetings after approval by the Board of Directors;
- (d) may sign any deeds, mortgages, deeds of trusts, 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 By-Laws to some other Officer or agent of the cooperative, or shall be required by law to be otherwise signed or executed; and
- (e) 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/her by the Board of Directors.

SECTION 8. *Treasurer*. The Treasurer shall:

- (a) 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/her by the Board of Directors.

SECTION 9. *Assistant Secretary and Treasurer*. In the absence of the Secretary and Treasurer, or in the event of his/her unavailability or inability to perform the duties of that office, the Assistant Secretary and Treasurer shall perform all of the duties of the Secretary and Treasurer, and shall have all of the powers and perform such other duties as may be assigned to him/her by the Board of Directors.

SECTION 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/her and shall have such authority as the Board of Directors may from time to time vest in him/her.

SECTION 11. *Bonds of Officers*. The Board of Directors in its discretion may require any Officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

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

ARTICLE VI CONTRACTS, CHECKS, AND DEPOSITS

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

SECTION 2. *Checks, Drafts, etc.* All checks, drafts or other orders for the payment of money, 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 3. *Deposits.* All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

ARTICLE VII NON-PROFIT OPERATIONS

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

SECTION 2. *Patronage Capital in Connection with Furnishing Electric Energy.* In furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from their furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy ("operating margins") which shall include, but not be limited to the following:

- (a) the establishment and maintenance of a reserve for the payment of interest on and principal of all outstanding notes, bonds, or other evidences of indebtedness of the Cooperative in an amount which shall equal the amount of principal and interest required to be paid in respect of such notes, bonds, and other evidences of indebtedness during the ensuing fiscal year;
- (b) the establishment and maintenance of a general reserve fund for working capital, insurance, taxes, improvements, new construction, depreciation, obsolescence, and contingencies in an amount which the Board of Directors shall deem reasonable.

All such amounts in excess of operating costs and expenses as above defined and fixed by the Directors at the moment of receipt by the Cooperative, are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses as hereinabove defined. 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 may, within a reasonable time after the close of the fiscal year, notify each person of the amount of capital so credited to his account ("capital credits"). Provided, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself the specific amount of capital so credited to him. All such amounts credited to the capital account of any person shall have the same status as though they have been paid to the patron in cash in pursuance of a legal obligation to do so and that patron had then furnished the Cooperative corresponding amounts for capital.

Other than operating margins, funds and amounts received by the Cooperative that exceed the Cooperative's costs and expenses ("non-operating margins") may be:

- (a) Allocated as capital credits in the same manner as the Cooperative allocates operating margins;
- (b) Retained or used by the Cooperative as permanent, non-allocated capital;
- (c) Used to pay or offset any Cooperative cost or expense; or
- (d) Used as otherwise determined or approved by the Board.

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 to the members in proportion to the value or quantity of service used during the seven (7) years prior to dissolution before any payments are made on account of property rights of members. Provided, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period, insofar as is practicable, as determined by the Board of Directors before any payments are made on account of property rights of member. 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. After June 21, 1988, the Board of Directors shall determine the method, basis, priority, and order of retirements, if any, for all amounts heretofore and hereafter furnished as capital.

To secure payment of any amounts owed by a member to the Cooperative, including any reasonable compounded interest and late payment fee determined by the Board, the Cooperative has a security interest in the capital credits of every member or former member. When any capital credits are ordered to be retired by the Board of Directors and cash payment is made to eligible members, the Cooperative shall deduct from such payment any unpaid bill of the member, which may be due from him, regardless of the purpose for which the debt was incurred. This deduction shall be made before any cash payment is made is to be shown on the member's record of capital credits retired in his favor.

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

All patronage capital to be retired or refunded as determined by the Board of Directors as hereinabove provided, shall be refunded by issuing checks therefore setting out the amount of the patronage capital and the years being retired and mailing same to the patrons at their last known address as reflected on the records of the corporation. If a check representing any retirement or refund of such capital credits, deposits or other such accounts shall be mailed to any such person to his last known address shown in the records of the Cooperative and (a) shall be returned unclaimed to the Cooperative, or (b) shall remain un-cashed, and no claim therefore shall be made by such person for a period of three (3) years after the issuance thereof, such person's check shall be presumed abandoned consistent with Tex. Property Code Ann. §72 and subject to the report, delivery and claims process set forth in Tex. Property Code Ann. §74, et al. If prior to the retirement of capital as provided by these By-Laws, a person's existence and whereabouts are unknown to the Cooperative for a period of three (3) years, such person's capital credit retirement shall be presumed abandoned consistent with Tex. Property Code Ann. § 72 and subject to the report, delivery and claims process set forth in Tex. Property Code Ann. § 74, et al.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and By-Laws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patron 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 By-Laws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE VIII WAIVER OF NOTICE

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

ARTICLE IX DISPOSITION OF PROPERTY

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

- (a) Property which in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Cooperative's system and

facilities; provided, however, that all sales of such property shall not, in any one (1) year, exceed in value ten percent (10%) of the value of all of the property of the Cooperative;

- (b) Services of all kinds, including electric energy; and
- (c) Personal property acquired for resale;

unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of the members voting thereon at such meeting in person or by proxy, and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, or any agency or instrumentality thereof, (or any other person, firm, association, State Bank or National Bank, private or governmental corporation or any other institution of whatever character, legally authorized to operate and to do business, either under the laws of the State of Texas, or the laws of the United States of America, and such Cooperative shall not be limited in anywise from whom it shall borrow funds or money as said Directors may deem available, and elect to do so,) 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, or a deed or deeds of trust, upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon terms and conditions as the Board of Directors shall determine.

ARTICLE X FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first day of October of each year and end on September 30th of the next year.

ARTICLE XI MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative, upon a vote of two thirds (2/3) of the said members of the Board of Directors authorizing same, may join and become a member of any organization that the Board of Directors believe will further the business of the Cooperative and particularly to become a member of the National Rural Utilities Cooperative Finance Corporation (commonly called CFC), Tex-La Electric Cooperative of Texas, Inc., Northeast Texas Electric Cooperative, Inc., and any other organization as determined to be beneficial to the Cooperative by its Board of Directors.

ARTICLE XII

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 XIII AMENDMENTS

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

ARTICLE XIV ELECTRONIC DOCUMENTS

If a member owns, controls or has reasonable access to the hardware and software specified by the Cooperative, then, regardless of any contrary By-Law:

(a) The member agrees to:

- (1) use, accept, send and receive electronic signatures, contracts, records, notices, communications, and other documents ("Electronic Documents") regarding any transaction with, for, or involving the Cooperative;
- (2) conduct any action or transaction with, for, or involving the Cooperative by electronic means; and
- (3) give this consent electronically, or confirm this consent electronically; and

(b) As determined by the Board:

- (1) any Electronic Document to or from the member satisfies any requirement imposed by law, the Articles, or these By-Laws that the underlying signature, contract, record, notice, communication, or other document be in writing;
- (2) electronically sending or receiving any Electronic Document to or from the members satisfies any requirement imposed by law, the Articles, or these By-Laws that the underlying signature, contract, record, notice, communication, or other document be sent or received personally or by mail; and
- (3) the member electronically taking any action provided in these By-Laws satisfies any requirement imposed by law, the Articles, or these By-Laws regarding the form or manner of taking the action.

Any Electronic Document sent electronically to a member or former member at the member or former member's last known electronic address is considered sent and received on the date sent. Any Electronic Document sent electronically to the Cooperative from a member or former member is considered sent and received on the date received by the Cooperative.