

# PenTex Energy Bylaws

## Index

	Page
Article I. Member-Owners.....	1
Article II. Rights and Liabilities of Member-Owners.....	3
Article III. Meeting of Member-Owners.....	4
Article IIIa. Voting by Mail.....	6
Article IV. Directors.....	7
Director District Map .....	10-11
Article V. Meeting of Directors.....	13
Article VI. Officers.....	14
Article VII. Non-Profit Operation.....	17
Article VIII. Disposition of Property.....	20
Article IX. Seal.....	20
Article X. Contracts, Checks, & Deposits.....	21
Article XI. Miscellaneous.....	21
Article XII. Amendments.....	22

# PenTex Energy

## Bylaws

### ARTICLE I MEMBER-OWNERS

#### **Section 1. Qualifications and Obligations.**

Any person, firm, corporation or body politic may become a Member-owner of the Cooperative upon compliance with the requirements set forth herein:

(a) Completion of a Membership and Electric Service Agreement application:

(b) Agreement to purchase from the Cooperative electric energy as hereinafter specified; and

(c) Agreement to comply with and be bound by the articles of incorporation of the Cooperative and these bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors, provided, however, that no person, firm, corporation or body politic shall become a Member-owner unless and until the applicant has been accepted for membership by the Board of Directors or the Member-owners. At each meeting of the Member-owners, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the Board of Directors shall be submitted to the Board of Directors at such meeting of the Member-owners and, subject to compliance by the applicant with the conditions set forth in subdivisions (a), (b) and (c) of this section, such application for membership may be accepted by a vote of the Member-owners at such meetings. The Secretary/Treasurer shall give any such applicant at least ten (10) days prior notice of the date of the Member-owners' meeting at which the application will be submitted, and such applicant may be present and heard at the meeting. No person, firm, corporation or body politic may own more than one (1) membership in the Cooperative.

#### **Section 2. Acceptance into Membership**

Upon compliance with the requirements set forth above in Article I, Section 1, an Applicant shall automatically become a Member-owner of the Cooperative on the date of connection for electric service; provided that the Board of Directors may, by resolution, deny application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application shall be rejected for other good cause.

#### **Section 3. Joint Membership.**

An application for joint membership may be submitted and may be accepted, subject to compliance with the requirements set forth in Section 1 of this article. The term "Member-owner" as used in these bylaws shall be deemed to include both or all parties 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 Member-owner and shall constitute a joint waiver of notice of the meeting;

(b) The vote of either separately or both jointly shall constitute one joint vote. Either but not both shall be allowed to vote. A vote by either shall constitute a vote for both as one joint vote;

(c) A waiver of notice signed by either or both shall constitute a joint waiver;

(d) Notice to either shall constitute notice to both;

(e) Expulsion of either shall terminate the joint membership;

(f) Withdrawal of either shall terminate the joint membership;

(g) Either but not both may be elected or appointed as an officer or Board member, provided that both meet the qualifications for such office.

#### **Section 4. Conversion 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 and the other party or parties to comply with the articles of incorporation, bylaws and rules and regulations adopted by the Board.

(b) Upon the death of either party of the joint membership, such membership shall be held solely by the survivor. However, the estate of the deceased shall not be released from any debts due the Cooperative.

#### **Section 5. Purchase of Electric Energy.**

Each Member-owner shall, as soon as electric energy is available, purchase from the Cooperative all the electric energy used on the premises (excluding kilowatt hours generated by the member owner) specified in the application for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by the Board of Directors. It is expressly understood that amounts paid for electric energy, in excess of the cost of service are furnished by consumers as capital and each Member-owner shall be credited with the capital so furnished as provided in these bylaws. Each Member-owner 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 from time to time. Each Member-owner shall also pay all amounts owed to the Cooperative as and when the same shall become due and payable.

#### **Section 6. Termination of Membership.**

(a) The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the Board members thereof, expel any Member-owner who shall have violated or refused to comply with any of the provisions of the articles of incorporation of the Cooperative or these bylaws or any rules or regulations adopted from time to time by the Board of Directors. Any Member-owner so expelled may be reinstated as a Member-owner by a vote of the Member-owners at any annual or special meeting of the Member-owners. The action of the Member-owners with respect to any such reinstatement shall be final.

(b) Upon the death, cessation of existence, expulsion by Board of Directors, or discontinuance of service, the membership of such Member-owner shall thereupon terminate. Termination of membership in any manner shall not release the Member-owner from the debts or liabilities of such Member-owner to the Cooperative.

## **ARTICLE II**

### **RIGHTS AND LIABILITIES OF MEMBER-OWNERS**

#### **Section 1. Property Interest of Member-owners.**

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 in these bylaws, and the remaining property and assets of the Cooperative shall be distributed among the individual Member-owners and former Member-owners in proportion to the aggregate patronage of all Member-owners to the date of filing of the certificate of dissolution.

#### **Section 2. Non-Liability for Debts of the Cooperative.**

The private property of the Member-owners of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no Member-owner shall be individually liable or responsible for any debts or liabilities of the Cooperative.

## **ARTICLE III**

### **MEETING OF MEMBER-OWNERS**

#### **Section 1. Annual Meetings.**

The annual meeting of the Member-owners shall be held during the month of April of each year at such place in the County of Cooke, State of Texas, as selected by the Board and which 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 for an annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Member-owners as soon thereafter as feasible. 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 Member-owners shall be called by at least three (3) directors or upon a written request signed by at least ten per centum (10%) of all the Member-owners, and it shall thereupon be the duty of the Secretary/Treasurer to cause notice of such meeting to be given as hereinafter provided. Special meetings of the Member-owners may be held at any place within the County of Cooke, State of Texas, as designated by the Board and shall be specified in the notice of the special meeting.

#### **Section 3. Notice of Member-owners' 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 forty-five (45) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary/Treasurer, or by the persons calling the meeting, to each Member-owner. If mailed, such notice shall be deemed to be delivered when deposited in the United States

Mail, addressed to the Member-owner as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any Member-owner to receive notice of an annual or special meeting of the Member-owners shall not invalidate any action which may be taken by the Member-owners at any such meeting.

#### **Section 4. Quorum.**

Except as provided in Article VIII, ten per centum (10%) of the total number of all Member-owners of the Corporation or one hundred fifty (150), whichever is least, present in person or by mail, when voting by mail shall be permitted pursuant to the Corporation's bylaws, shall constitute a quorum for the transaction of business at all meetings of the Member-owners. If less than a quorum as set forth herein, of the total number of Member-owners are present at said meeting, a majority of the Member-owners so present may adjourn or recess the meeting from time to time without further notice.

#### **Section 5. Voting.**

Each Member-owner shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the Member-owners. At all meetings of the Member-owners at which a quorum is present all questions shall be decided by a vote of a majority of the Member-owners voting thereon in person, except as otherwise provided by law, the articles of incorporation of the Cooperative, or these bylaws. In the case of a joint membership, both or all parties are collectively entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the Member-owners.

#### **Section 6. Proxies.**

At all meetings of Member-owners, a Member-owner must be present in person to vote. Member-owners not present at the meeting may not vote by proxy.

#### **Section 7. Credentials and Election Committee.**

The Board of Directors shall, between 60 and 90 days prior to any membership meeting, appoint a credentials and election committee consisting of an uneven number of Member-owners of not less than three (3) nor more than five (5) who are not close relatives or member of the same household of existing directors or known candidates for directors to be elected at such meeting. In appointing the committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. It shall be the responsibility of the committee to decide upon all questions that may arise with respect to the registration of Member-owners at the meeting, to count all ballots cast in any election or in any other ballot vote taken, and to rule upon the effect of any ballots irregularly marked. It shall also be the duty of the committee to decide on the qualifications for any person nominated for a directorship. The committee's decision on all such matters shall be final.

#### **Section 8. Order of Business.**

The order of business at the annual meeting of the Member-owners, and so far as possible at all other meetings of the Member-owners, shall be essentially as follows:

1. Official Roll Call.
2. 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.
3. Reading of unapproved minutes of previous meeting of the Member-owners and the taking of necessary action thereon.
  4. Approval of new member-owners.
  5. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
  6. Election of directors.
  7. Unfinished business.
  8. New business.
  9. Adjournments.

## **ARTICLE III-A**

### **VOTING BY MAIL**

#### **Section 1. Voting By Mail.**

Voting by mail is permitted.

#### **Section 2. Notice.**

Upon Board of Directors passing resolution calling election by mail, each Member-owner shall be given written notice of the election by U.S. mail. The notice together with ballot may be included in each Member-owner's regular monthly bill. Notice shall be mailed at least fifteen (15) days before deadline for return of ballot as stated in notice.

#### **Section 3. Quorum.**

No quorum or minimum membership vote is required in election permitted under this Article III-A. A majority of those Member-owners voting shall decide the issue submitted.

#### **Section 4. Conduct of Election.**

Voting upon questions permitted by this Article III-A shall be by official ballot submitted to Member-owners along with notice set out in Section 2 of this article. Provisions of Section 5 and 7 of Article III of these Bylaws shall be applicable to mail voting as permitted by this Article III-A.

## **ARTICLE IV DIRECTORS**

#### **Section 1. General Powers.**

The business and affairs of the Cooperative shall be managed by a Board of five (5) 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 bylaws conferred upon or reserved to the Member-owners.

## Section 2. Qualifications.

No person shall be eligible to become or remain a director of the Cooperative who:

- a) is not a Member-owner and is not receiving electric service from the Cooperative at his or her primary residential abode within the district from which such director is elected to represent; or
- b) has (or is a joint member with a Person who has) one or more accounts with the Cooperative or its affiliates that are not in good financial standing, or has (or is a joint member with a Person who has) a controlling interest in another Person that has one or more accounts with the Cooperative or its affiliates that are not in good financial standing; or
- c) has not been a member of the Cooperative for the period of twelve (12) consecutive months immediately prior to election; or
- d) has not maintained a principal place of residence within the service area of the Cooperative for the period of twelve (12) consecutive months immediately prior to election; or
- e) has been convicted of a felony or has pled guilty to a felony; or
- f) is in any way employed by or financially associated with the Cooperative or a competing electric utility company; or
- g) is involved in any business activity which might be construed as a "conflict of interest" or in any way presents the "appearance of impropriety" through business or personal involvement; or
- h) is bidding on requests for proposals from the Cooperative or is actively selling materials or services to the Cooperative; or
- i) is selling electrical supplies to or performing electrical services for Cooperative Member-owners; or
- j) has (or is a joint member with a Person who has) been an employee, or has (or is a joint member with a Person who has) worked as an independent contractor or an employee of an independent contractor, of the Cooperative or any of its affiliates during the three (3) year period immediately prior to election; or
- k) is not a natural person; or
- l) except as otherwise determined by the Board, is the subject of a final and non-appealable judgment in a civil action or an arbitration on the grounds of fraud, deceit or misrepresentation; or
- m) is an active or former employee of the Cooperative; or
- n) is the incumbent of or candidate for an elective public office in connection with which a salary is paid.
- o) is a Close Relative (defined below) of a Cooperative director, officer or employee; or
- p) during the one (1) year period immediately prior to election, receives, or has a Close Relative or an affiliate that receives, more than ten percent (10%) of his, her, or its annual gross income, other than insurance or medical benefits or director compensation income, directly or indirectly from the Cooperative or any of its affiliates; or
- q) is employed by another director or is employed by, or receives more than ten percent (10%) of his or her annual gross income from, an entity which

another director controls (including as a director, manager, general partner, or officer) or of which another director owns more than ten percent (10%);  
or

r) is not a citizen of the United States of America.

For purposes of these Bylaws, the term "Close Relative" means an individual who (i) through blood, Law, or marriage, is a spouse, child, stepchild, father, stepfather, mother, stepmother, brother, stepbrother, half-brother, sister, stepsister, half-sister, grandparent, grandchild, father-in-Law, mother-in-Law, brother-in-Law, sister-in-Law, son-in-Law, or daughter-in-Law, or (ii) resides in the same residence. An individual qualified and elected as a director does not become a Close Relative while serving as a director because of a marriage or legal action to which the individual was not a party.

The above activities include an individual in the individual's own capacity or as an officer, director, partner, associate, employee of any entity, regardless of the type that would be engaged in the above activities.

In the case of a joint membership, either party of the membership, but not both, may be elected a director, provided however, that neither one shall be eligible to become or remain a director of the Cooperative unless both meet the qualifications. Nothing contained in this section 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. Director Districts.**

The territory served or to be served by the Cooperative shall be divided into five (5) districts. Each district shall be represented by one (1) Board member.

The boundaries of the districts may be changed from time to time by amendment to these bylaws by the Board of Directors provided that any change must be made not less than sixty (60) days before any meeting of the Member-owners at which directors are to be elected.

The five districts shall be as follows:

#### **District 1**

In Cooke County the area East and North of a line from the state line at I-35 South to FM 1202; East to CR 137; East to CR 181; East to CR 135; North and East to CR 134; North and East to FM 371; South to Hwy 82; East to FM 678; South to FM 3164; South to FM 902; East to the eastern boundary of PenTex Energy's service territory.

#### **District 2**

In Cooke County the area East and South of a line from the southern boundary at Morrow Rd North to FM 922; East to FM 372; North to FM 3496; East and North to FM 902; North on CR 219 to FM 678; East to FM 3164; South to FM 902; East to the eastern boundary of PenTex Energy's service territory.

#### **District 3**

In Montague County at Hwy 82 and FM 677 Intersection in St. Jo go South on FM 677 to FM 1630; East to FM 1198; South to FM 922; East to FM 51; Northeast to CR 314; East to Spring Creek Rd; East to FM 2071; North to CR 216; East to FM 372; North to FM 902;



Southeast to CR 219; North to FM 678; East and North to Hwy 82; West to FM 371; North to CR 134; West to CR 135; West and South to CR 181; West to CR 137; West to FM 1202; West to FM 1201; North to CR 412; West to FM 1200; North to CR 420; West to CR 434; North and West to CR 411; Northwest to CR 462; West to CR 417; South to CR 442; West and South to FM 373; South to CR 430; West to CR 425; South to CR 431; West to CR 457; South to CR 424; West to CR 351; South to Hwy 82; West to FM 677 intersection (Point of beginning).

#### District 4

In Cooke County at FM 1202 and I-35 intersection, go North to the northern boundary. Follow the northern Cooperative boundary north and west to Ringgold; The West and Southwestern boundary to Dixie School Rd ; North to Hwy 82; West to Greenbriar Rd; North to Old Bonita Rd; East to Sawyer Rd; North to FM 1956; East to Admire Rd; South to Camp Letoli Rd; South to Talley Rd; Southeast to FM 677; South to Hwy 82; East to CR 351; North to CR 424; East to CR 457; North to CR 431; East to CR 425; North to CR 430; East to FM 373; North to CR 442; East and North to CR 417; North to CR 462; East to CR 411; Southeast to CR 434; East to CR 420; Northeast to FM 1200; South to CR 412; Northeast to FM 1201; South to FM 1202; East to I-35 and FM 1202 Intersection (Point of beginning).

#### District 5

In Montague County from the intersection of Hwy 82 and Dixie School Rd go west to Greenbriar Rd; North to Old Bonita Rd; East to Sawyer Rd; North to FM 1956; East to Admire Rd; South to Camp Letoli Rd; South to Talley Rd; East to FM 677; South to FM 1630; East to FM 1198; South to FM 922; East to FM 51; North to CR 314; East to Spring Creek RD; East to FM 2071; North to CR 216; East to FM 372; North to FM 902; East to FM 3496; South to FM 372; South to FM 922; West to Morrow Rd; South to the southern boundary of PenTex Energy's service territory; west and north back to Dixie School Rd, north to Hwy 82 (Point of beginning).

### **Section 4. Tenure of Office.**

Directors shall be elected for three (3) year terms at annual membership meetings and may succeed themselves. Beginning with the 2015 annual membership meeting, directors shall be elected in the following sequence: director representing district 2 in 2015, directors representing districts 4 and 5 in 2016, and directors representing districts 1 and 3 in 2017, and the same sequence for election thereafter.

### **Section 5. Nominations.**

Not less than sixty (60) days or more than ninety (90) days prior to any membership meeting at which directors are to be elected, the Board of Directors shall appoint a committee on nominations. The nominating committee shall consist of five (5) Member-owners of the Cooperative, one each of whom shall be selected from and reside in each director district. No officer or member of the Board of Directors shall be appointed as a member of such committee. The nominating committee shall nominate one (1) or more nominees for each director position whose term expires at the next annual membership meeting. The committee shall prepare and post at the principal office of the Cooperative

at least twenty (20) days before the annual meeting a list of nominations for directors by district. The Secretary/Treasurer shall be responsible for the mailing of the list with the notice of the annual meeting, or separately, but at least ten (10) days prior to the meeting, stating the number of directors to be elected, the districts from which directors are to be elected, and the name and address of the candidates nominated by the committee on nominations.

Five per centum (5%) or more Member-owners (a husband and wife shall constitute only one (1) Member-owner) residing in a district for which a director is to be elected, acting together, may make other nominations by petition, and the Secretary/Treasurer shall post such nominations at the same place where the list of nominations made by the nominating committee is posted. Nominations made by petition, if any, received at the Cooperative's principal office at least sixty (60) days before the meeting shall be included in the official ballot and identified as having been made by petition.

### **Section 6. Election of Board Members.**

Each Member-owner of the Cooperative present at an annual or special meeting of the Member-owners at which Board members are to be elected shall be entitled to vote for one (1) candidate from each district. The candidate from each director district receiving the highest number of votes at the meeting shall be considered elected as a member of the Board of Directors.

### **Section 7. Removal of Board Members by Member-owners or by Board.**

Any Member-owner may bring charges against an officer or director by filing them in writing no less than 45 days of the regular or special meeting of the Member-owners with the Secretary/Treasurer, together with a petition signed by ten per centum (10%) of the Member-owners, or 300, whichever is the lesser, 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 Member-owners. The director or officer against whom such charges have been brought shall be informed in writing of the charges no less than 30 days previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity. No more than one (1) director at one time may be removed under provisions of this Section.

Charges, specifying cause for removal, against a director may be brought by any three (3) other directors of the Cooperative and submitted to the Board. Any decision on the removal of a director (who, for purposes of this Section 4.7, is a "Subject Director") by the Board, which may only be for cause or in accordance with Section 4.2 of these Bylaws, under this section 4.7, shall be made at a regular meeting of the Board or at a special meeting of the Board called for that purpose. The Subject Director shall be informed in writing of the charges at least 30 days prior to the meeting 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 to present evidence in respect of the charges; the directors bringing the charges against the Subject Director shall be considered and voted upon at the meeting. If the Subject Director is removed by a vote of two-thirds (2/3) of all of the directors of the Cooperative, other than the Subject Director, then the removal shall be effective immediately. The vacancy may be filled in accordance with Section 4.8 of these Bylaws.

### **Section 8. Vacancies.**

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

### **Section 9. Compensation.**

Board members may receive compensation for their service on the Board, as set out by resolution and/or Board policies, as follows:

(a) A fixed amount plus the current approved IRS mileage rate for personal vehicle use while attending each Board meeting;

(b) A fixed amount per day plus the current approved IRS mileage rate for personal vehicle use while on special assignments for the Cooperative, while representing the Cooperative at a meeting at which no Board fee is paid, and on non-meeting travel days;

(c) While attending such assignments and meetings as noted in (b) above, each Director shall pay for his/her own out-of-pocket expenses, such as but not limited to meals, tips, taxi fares and all other expenses not previously arranged by the Cooperative with the exception of transportation to and from the airport, and airport parking fees.

(d) The Board of Directors and spouses are eligible to receive health insurance coverage through the Cooperative by paying the current premiums to the Cooperative.

(e) Each Director may receive a monthly retainer in a fixed amount set by the Board.

### **Section 10. 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 attorney's 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 a party, or in which he or she may become involved, by reason, in whole or in part, of being or having been a director or officer of the Cooperative, whether or not he or she is a director or officer, at the time such expenses are incurred, to the maximum extent consistent with the provisions of Section 161.078 of The Utilities Code, provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approve such settlement and reimbursement being in 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 or officer may be entitled.

## **ARTICLE V MEETINGS OF DIRECTORS**

### **Section 1. Regular Meetings.**

A regular meeting of the Board of Directors shall be held without notice other than this bylaw, immediately after, and at the same place as, the annual meeting of the

Member-owners. A regular meeting of the Board of Directors shall also be held monthly at such time and place in Cooke County, Texas, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

### **Section 2. Special Meetings.**

Special meetings of the Board of Directors may be called by the President or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Cooke County, Texas), for the holding of any special meeting of the Board of Directors called by them.

### **Section 3. Notice of Board Meetings.**

Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each Board member either personally, electronically or by mail, by or at the direction of the Secretary/Treasurer, or upon a default in duty by the Secretary/Treasurer, by the President or the Board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Board member as it appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

### **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 present may adjourn the meeting from time to time without further notice. 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, except as otherwise provided in these bylaws.

## **ARTICLE VI OFFICERS**

### **Section 1. Number.**

The officers of the Cooperative shall be a President, a Vice-President, and a Secretary/Treasurer. The Board of Directors may also appoint such other officers and prescribe their duties as needed.

### **Section 2. Election and Term of Office.**

The President, Vice-President, and Secretary/Treasurer shall be elected by ballot or voice vote, annually by and from the Board of Directors at the first meeting of the Board of Directors, held after each annual meeting of the Member-owners. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as is convenient. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the Member-owners or until a successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

### **Section 3. Appointed Officers.**

The Board of Directors may appoint an Executive Vice-President and an Assistant Secretary. Appointed officers shall serve at the will of the Board of Directors.

### **Section 4. Removal of Officers and Agents by the Board.**

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

### **Section 5. Vacancies.**

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

### **Section 6. President.**

The President shall:

(a) be the principal executive officer of the Cooperative and shall preside at all meetings of the Member-owners and of the Board of Directors;

(b) sign, with the Secretary/Treasurer, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed except in cases in which the signing and execution thereof shall be expressly delegated by the Board 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 President and such other duties as may be prescribed by the Board from time to time.

### **Section 7. Vice-President.**

The Vice-President shall:

In the absence of the President, or in the event of his inability or refusal to act, 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. The Vice-President shall also perform such other duties as from time to time may be assigned by the Board.

### **Section 8. Secretary/Treasurer.**

The Secretary/Treasurer shall be responsible for:

(a) keeping the minutes of the meetings of the Member-owners and of the Board in books provided for that purpose;

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

(c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;

(d) keeping a register of the names and mailing addresses of all Member-owners;

(e) keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any Member-owner) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any Member-owner

upon request; and

(f) custody of all funds and securities of the Cooperative; and

(g) the receiving of and the issuance of receipts for all monies due and payable to the Cooperative, and for the deposit of all such monies in the name of the Cooperative in such bank(s) or financial institution(s) as shall be selected in accordance with provisions of these bylaws; and

(h) in general, performance of all duties incident to the office of Secretary/Treasurer and such other duties as from time to time may be assigned by the Board.

### **Section 9. Executive Vice-President.**

The Executive Vice-President shall:

(a) have the duties of General Manager of the Cooperative.

(b) need not be a Member-owner of the Cooperative.

(c) as General Manager perform such duties and exercise such authority as the Board may, from time to time, delegate; and perform duties concurrent with President or Vice-President as set forth in Section 6(b) above.

### **Section 10. Assistant Secretary.**

The Assistant Secretary shall have the same duties set forth for Secretary/Treasurer in Section 8 above.

### **Section 11. Bonds of Officers.**

The Secretary/Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property may be bonded in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

### **Section 12. Compensation.**

The powers, duties, and compensation of all other officers, agents and employees shall be fixed by the Board of Directors.

### **Section 13. Reports.**

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

## **ARTICLE VII NON-PROFIT OPERATION**

### **Section 1. Interest or Dividends on Capital Prohibited.**

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

### **Section 2. Patronage Capital in Connection With Furnishing Electric**

## **Energy.**

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

(b) 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 said patron is clearly reflected and credited in an appropriate record to the capital account of said patron, and upon request the Cooperative shall within a reasonable time after the close of the fiscal year notify said patron of the amount of capital so credited to his account. 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.

(c) Provided, however, if costs and expenses exceed the amounts received and receivable from and directly related to the furnishing of electric energy, hereinafter referred to as "loss", then the Board of Directors shall have the authority, under accepted accounting practices, loan covenants and federal cooperative tax law, to prescribe the accounting procedures under which such loss may be addressed.

(d) All other amounts received by the Cooperative from its operations in excess of costs and expenses, other than from the furnishing of electric energy, shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year, as determined by the Board of Directors and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as a part of the capital credited to accounts of patrons, as herein provided.

~~(d)~~ (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 Member-owners. 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' or former patrons' accounts may be retired in full or in part. Notwithstanding any other provision of these bylaws, the Board of Directors shall also determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital. Provided, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply portion") of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. Such rules shall (a) establish a method for determining the power supply portion of capital credited to each patron for each applicable fiscal year; (b) provide for separate identification on the Cooperative's books of the power supply portion of capital credited to the Cooperative's

patrons; (c) provide for appropriate notifications to patrons with respect to the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year. In no event, however, may any such capital be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least forty per centum (40%) of the total assets of the Cooperative.

(f) 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.

(g) Notwithstanding any other provision of the bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representative of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited, at a discounted rate, to any such patron immediately upon such terms and conditions as the Board of Directors, action under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

(h) All persons to whom capital credits have been allocated shall keep the Cooperative informed of their current mailing addresses in order that the Cooperative may retire or refund capital credits, deposits and any other amount to such persons in accordance with the bylaws.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

(i) To secure payment of any amounts owed by a Member to the Cooperative, including any reasonable compounded interest and late payment fees as determined by the Board, the Cooperative has a security interest in the capital credits of every Member and former Member. When any capital credits are ordered to be retired by the Board of Directors and any payments are scheduled to be made to eligible Members, the Cooperative shall deduct from such payment any unpaid bill of the Member which may be due from said Member to the Cooperative, whether said bill is for previous delinquencies of said Member or regardless of the purpose for which the debt was incurred.

### **Section 3. Patronage Refunds in Connection With Furnishing Other Service.**

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



order or priority as the Board of Directors shall determine.

## **ARTICLE VIII DISPOSITION OF PROPERTY**

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

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

(b) services of all kinds, including electric energy;

(c) personal property acquired for resale; and

(d) merchandise;

unless the Board of Directors is authorized to do so at a membership meeting by a majority vote of the Member-owners, as shown on the membership roll of the Corporation. This notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting, provided, however, that notwithstanding anything herein contained, the Board of Directors, without the consent or vote of the Member-owners of the Corporation or any part thereof, shall have full power and authority to borrow money and to authorize the making and issuance of bonds, notes or other evidences of indebtedness, secured or unsecured, for money so borrowed and to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon or the pledge of or other lien upon all or any of the property, assets, rights, privileges and permits of the Cooperative wherever situated, acquired or to be acquired, upon such terms and conditions as the Board of Directors shall determine.

## **ARTICLE IX 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 X CONTRACTS, CHECKS, AND DEPOSITS**

### **Section 1. Contracts.**

Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer(s) or agent(s) 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 and/or countersigned by such officer(s), agent(s), or employee(s) of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

### **Section 3. Deposits.**

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank(s) or financial institution(s) as the Board of Directors may select.

### **Section 4. Fiscal Year.**

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

## **ARTICLE XI MISCELLANEOUS**

### **Section 1. Membership in Other Organizations.**

The Cooperative shall not become a member of any other corporation, firm, or association without an affirmative vote of the Board of Directors at a meeting called as provided in these bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business.

### **Section 2. Waiver of Notice.**

Any Member-owner or director may waive in writing any notice of meetings required to be given by these bylaws.

### **Section 3. Policies, Rules and Regulations.**

The Board shall have power to make and adopt such policies, 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.

The Board shall have the power to participate in charitable endeavors for the benefit of the Member-owners, other persons, and/or the Cooperative Service Area in general. The Board shall further have full authority to adopt such policies and procedures to efficiently accomplish its charitable objectives.

### **Section 4. 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 systems which comply with industry standards and/or generally accepted accounting principles. The Board of Directors shall also within ninety (90) days after the close of each fiscal year cause to be made by a certified public accountant a full and complete independent audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the Member-owners at the next following annual meeting.

**Section 5. Area Coverage.**

The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all requirements established by the Cooperative as a condition of such service.

**ARTICLE XII  
AMENDMENTS**

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