

By-Laws of San Bernard Electric Cooperative, Inc.

It shall be the aim of San Bernard Electric Cooperative, Inc. to make electric energy available to its members at the lowest cost consistent with sound economy and good management.

ARTICLE I MEMBERSHIP

SECTION 1.01. Eligibility. Any natural person, firm, association, corporation, business trust, partnership, Federal agency, State or political subdivision thereof, or any body politic (each hereinafter referred to as person or applicant) shall be eligible to become a member of and at one or more premises owned or directly occupied or used by the member, to receive electric service from SAN BERNARD ELECTRIC COOPERATIVE, INC. (hereinafter called the Cooperative). No person shall hold more than one membership in the Cooperative.

SECTION 1.02. Application for Membership; Renewal of Prior Application. Application for membership wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Articles of Incorporation and By-laws, and all rules, regulations and rate schedules established pursuant thereto, as all the same then exist or may thereafter be duly adopted or amended (the obligations embraced by such agreement being hereinafter called membership obligations) shall be made in writing on such form as is provided therefore by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefore by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit or contribution in aid of construction that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any) shall be refunded in the event the application is by Board resolution denied. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest at the Texas legal rate on judgments in effect when such account first became overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

SECTION 1.03. Membership Fee; Service Security and Facilities Extension Deposits; Contribution in Aid of Construction. The membership fee shall be as fixed from time to time by the Board of Directors. The membership fee (together with any service security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid of construction or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid of construction or any combination thereof, if required by the Cooperative), shall be paid by the member for each additional service connection requested by the member.

SECTION 1.04. Joint Membership. Two people with a marriage recognized as legal and binding by the State of Texas, by specifically so requesting in writing, may be accepted into joint membership. The words member, applicant and person as used in these By-laws, shall include these two people applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing:

- (a) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting;
- (b) the vote of either or both shall constitute, respectively, one joint vote: PROVIDED, that if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote;
- (c) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice;
- (d) suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership;
- (e) either, but not both concurrently, shall be eligible to serve as a director of the Cooperative, but only if both meet the qualifications required therefore; and
- (f) neither will be permitted to have any additional service connections except through their one joint membership.

Conversion of membership shall occur in accordance with the following provisions, to-wit:

- (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 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 membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.
- (b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status; provided however, that the estate of the deceased shall not be released from any debts due the Cooperative.

SECTION 1.05. Acceptance into Membership. Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of connection for electric service; PROVIDED, that the Board of Directors may by resolution deny an 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 should be denied for other good cause; PROVIDED FURTHER, that any person whose application for sixty (60) days or longer, has been submitted to but not approved by the Board of Directors may, by filing written request therefore with the Cooperative at least thirty (30) days prior to the next meeting of the members, have the membership application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 1.06. Purchase of Electric Power and Energy; Power Production by Member;

Application of Payments to All Accounts. The Cooperative shall make all reasonable efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by this member, shall purchase from the Cooperative all central station electric power and energy for use on all premises to which electric service has been furnished by the Cooperative, unless and except to the extent that the Board of Directors may in writing waive such requirement and shall pay therefore at the times, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually furnished) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on a member's premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative as and when they become due and payable. When the member has more than one service from the Cooperative, any payment by such member for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to such member's outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and prorating.

SECTION 1.07. Excess Payment to be Credited As Member-Furnished Capital. All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these By-laws.

SECTION 1.08. Wiring of Premises; Responsibility Therefore; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility Indemnification. Each member shall cause all premises receiving electric service from the Cooperative to become and to remain wired in accordance with the specifications of the National Electric Code, any applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of such premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bills collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailer of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use member's best efforts to prevent others from so doing. Each member shall also provide such protective devices, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with,

impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

SECTION 1.09. Member to Grant Easements to Cooperative and to participate in Required Cooperative Load Management Programs. Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to such member or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. Each member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

## ARTICLE II MEMBERSHIP

### SUSPENSION AND TERMINATION

SECTION 2.01. Suspension; Reinstatement. Upon a member's failure, after the expiration of the initial time limit prescribed either in a specific notice to such member or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other non-compliance with one or more membership obligations, such member's membership shall automatically be suspended; and such member shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement and/or cessation of any other noncompliance with all membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meeting of its members.

SECTION 2.02. Termination by Expulsion; Renewed Membership. Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 2.01, the member may, without further notice, but only after due hearing if such is requested by this member, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval

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

**SECTION 2.03. Termination by Withdrawal or Resignation.** A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors, resigning the membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished electric service pursuant to the membership, or (b) except when the Board of Directors specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.

**SECTION 2.04. Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners.** Except as provided in Section 2.06, the death of an individual human member shall automatically terminate that individual's membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership; **PROVIDED**, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners; **PROVIDED FURTHER**, that neither a withdrawing partner nor the partner's estate shall be released from any debts then due the Cooperative.

**SECTION 2.06. Effect of Death, Legal Separation or Divorce upon a Joint Membership.** Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; **PROVIDED**, that the estate of the deceased spouse shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint; **PROVIDED**, that the other spouse shall not be released from any debts due the Cooperative.

**SECTION 2.07. Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively.** Upon the termination of a person's membership for any reason, the Board of Directors, so soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative cease furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the Board of Directors approves, membership retroactively to the date on which such person first began receiving such service, in

which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

### ARTICLE III MEETINGS OF MEMBERS

SECTION 3.01. Annual Meeting. For the purposes of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held on the third Saturday of the month of May each year, at such place in one of the counties in Texas within which the Cooperative serves, and beginning at such hour, as the Board of Directors shall from year to year fix; PROVIDED, that, for cause sufficient to it, the Board of Directors may fix a different date for such annual meeting not more than thirty (30) days prior to or subsequent to the day otherwise established for such meeting in this Section. It shall be the responsibility of the Board of Directors to make adequate plans and preparation for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative. In order to make a motion requiring a vote of the membership at the annual meeting, the motion must be filed with the Secretary at the office in Bellville, Texas, at least thirty (30) days prior to the date of the annual meeting.

SECTION 3.02. Special Meetings. Special meetings of the members may be called by resolution of the Board of Directors or upon a written request signed by any three directors, or by the President or by ten per centum or more of all members and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any time and any place within Austin County, Texas, specified in the notice of the special meeting, as determined by the Board of Directors; PROVIDED that said meeting shall not be held sooner than forty (40) days nor later than ninety (90) days after the call for such meeting is made or a petition therefore is filed.

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

#### SECTION 3.03A. Electronic Documents and Actions.

If a member or director owns, controls, or has reasonable access to the applicable or necessary hardware and software, then, regardless of a contrary By-law, as determined by the Board, and as allowed by Law:

(a) the member or director consents and agrees to: (1) use, accept, send, receive, and transmit an Electronic signature, contract, record, notice, vote, communication, comment, and other document regarding an action, transaction, business, meeting, or activity with, for, or involving the Cooperative (“Electronic Document”); (2) Electronically conduct an action, transaction, business, meeting, or activity with, for, or involving the Cooperative; and (3) Electronically give or confirm this consent and agreement;

(b) an Electronic Document sent or transmitted to, or received or transmitted from, the member or director satisfies a requirement that the underlying signature, contract, record, notice, vote, communication, comment, or other document be in writing;

(c) Electronically sending or transmitting an Electronic Document to, or receiving or transmitting an Electronic Document from, the Member or Director satisfies a requirement that the underlying signature, contract, record, notice, vote, communication, comment, or other document be sent or received personally or by mail; and

(d) the Member or Director Electronically taking an action provided in these By-laws satisfies a requirement regarding the form or manner of taking the action.

Except as otherwise provided in these Bylaws, an Electronic Document Electronically sent or transmitted to a Member or Director or former Member at the Member or Director or former Member’s last known Electronic address is considered sent, received, transmitted, and effective on the date sent by the Cooperative. An Electronic Document Electronically received or transmitted from a Member or Director or former Member is considered sent, received, transmitted, and effective on the date received by the Cooperative.

As used in these By-laws, subject to the context requiring otherwise, and as determined by the Board:

(1) “Electronic” and “Electronically” mean relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities;

(2) To sign an Electronic Document means, with present intent to authenticate or adopt the Electronic Document, to attach to, or logically associate with, the Electronic Document an Electronic sound, symbol, or process; and

(3) Electronic transmission includes transmission through: (A) Electronic mail; (B) the Cooperative’s website; or (C) a website or information processing system that the Cooperative has designated or uses to send, receive, or transmit Electronic Documents or Electronic information, or to Electronically conduct an action, transaction, business, meeting, or activity.

**SECTION 3.04 Quorum.** Except as otherwise provided by law or by the Cooperative’s Articles of Incorporation, business may not be transacted at any meeting of the members unless there are present in person at least 150 of the Cooperative’s members, except that, if less than a quorum is present at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date not less than forty (40) days nor more than ninety (90) days

later and to any place in Austin County, Texas; PROVIDED, that the Secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3.03. At all meetings of the members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those members who were registered as present in person. Members voting by any method of voting authorized by the Board for any particular matter shall be counted as present in person for purposes of determining a quorum at a meeting of the members, but only as to the quorum required for the membership to take action on that particular matter.

SECTION 3.05. Voting. Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these By-laws. The Board of Directors may authorize voting by proxy, mail or Electronically on any matter submitted to a vote by the members. When such procedure is authorized by the Board of Directors, such votes shall be upon forms furnished to the member at the time notice of any members meeting is given to the members. Members may not cumulate their votes.

Section 3.05A. Proxies. At a meeting of the members for which the Board has approved the use of proxies, any member may vote by proxy by assigning such proxy to the designee or designees established by the Board of Directors, but only if such proxy (a) is registered with the Cooperative at its principal office before 5:00 p.m. on the fifth business day next preceding the date of the member meeting, (b) is executed by the member in writing; (c) specifies the particular meeting at which it is to be voted, and (d) is dated not less than ten (10) or more than thirty (30) days prior to the date of such meeting; PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactory evidence. Accounts in the name of non-natural members shall be voted only by proxy and shall be bound by all provisions regarding proxies as stated in this Section. The proxy shall be voted by the Board of Directors' designee or designees, in accordance with the directions designated by the member on the Proxy Card as such is defined below. All proxies will be received, validated, counted and maintained by the General Manager or the General Manager's designee. All proxies, which identify the members, shall be held confidential, except as may be necessary to meet applicable legal requirements. Voted proxies shall not be seen by, nor reported to, any director candidate except in aggregate number or to determine if (rather than how) a member has voted.

Section 3.05B. Proxy Committee Recommendations for Director Elections. The Proxy Committee of the Cooperative shall consist of its directors whose districts are not up for election. Following the nomination of Director Candidates as described in Article IV, Section 4.06, the Proxy Committee shall meet to establish a recommendation regarding its preferred candidate for each director position up for election. The recommendations shall be established by a majority vote of the Proxy Committee. In the event that the vote ends in a tie, the recommendation shall be not to take a position on the director election.



Section 3.05C. Proxy Recommendations for Other Matters. \_The Board of Directors shall meet to establish a recommendation from the Cooperative regarding other matters to be voted on at a member meeting as such is defined in Article II, Section 8A. The meeting shall be held not less than 60 days prior to the member meeting. The recommendation shall be established by a majority vote of the directors. In the event that the vote ends in a tie, the recommendation shall be not to take a position on the matter.

Section 3.05D. Proxy Card. The Proxy Card, which shall be mailed to all members not less than ten (10) days nor more than thirty (30) days prior to the member meeting, shall contain (1) the name of the person or persons designated by the Board of Directors to vote the proxies and the process for selecting those persons; (2) the names of candidates for each director election; (3) the process for voting proxies; and (4) any other appropriate items to be voted on at the member meeting. The recommendations as described in Section 3.05B and Section 3.05C of these By-laws shall also be included on the Proxy Card.

In the event a member executes two or more proxies for the same meeting, the first valid proxy received at the Cooperative's principal office shall prevail. The presence in person of a member at a meeting shall revoke any proxy theretofore executed by the member for such meeting and such member shall be entitled to vote in the same manner and with the same effect as if the member had not executed a proxy. Notwithstanding the foregoing provisions of this Section, whenever a member is absent from a meeting but the absent member's spouse attends such meeting, such spouse shall be deemed to hold and may exercise and vote the proxy of such member to the same extent that such member could vote if present in person.

Section 3.05E. Solicitation of Proxies. \_Proxies may be solicited on behalf of the Cooperative, and the entire cost of solicitation shall be borne by the Cooperative. The Cooperative may use its officers and employees to solicit proxies from the members either personally or by telephone or by mail.

Section 3.05F. Record Date. \_The Record Date for determining the Total Membership and the members entitled to vote at a member meeting shall be 5:00 p.m. on the fifth business day next preceding the date of the member meeting.

SECTION 3.06. Credentials and Election Committee. The Board of Directors shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of members not less than nine (9) nor more than nineteen (19) who are not members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for director, and who are not close relatives (as hereinafter defined) of or members of the same household as members of the Nominating Committee, existing Cooperative employees, agents, officers, directors or known candidates for director. In appointing the Committee, the Board shall have regard for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of

members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination or the qualifications of candidates and the regularity of the nomination and election of directors), and to pass upon any protest or objection filed with respect to any election or conduct affecting the rules of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.

SECTION 3.07. Order of Business. The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

- (a) Report on the number of members present in person in order to determine the existence of a quorum;
- (b) Reading of the notice of the meeting and proof of the due giving thereof, or of the waiver or waivers of notice of the meeting, as the case may be;
- (c) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (d) Election of directors;
- (e) Presentation and consideration of reports of officers, directors and committees; and
- (f) Adjournment.

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

## ARTICLE IV DIRECTORS

SECTION 4.01 Number and General Powers. The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or By-laws conferred upon or reserved to the members.

SECTION 4.02. Qualifications. To be eligible for nomination to become a director candidate of the Cooperative or to remain a director once elected, a person must meet the following qualifications:

1. Be twenty-one (21) years of age or older.
2. Be a member in good standing of the Cooperative for at least one (1) year immediately prior to election. To be in good standing, a member must not have been disconnected for nonpayment within one (1) year.
3. While a Director, not be a close relative of an incumbent director or a close relative of an employee of the Cooperative.
4. While a Director and during the three (3) years immediately prior to becoming a Director, not have been an employee of the Cooperative.
5. Have his or her primary residence receive continuous electric service from the Cooperative, and have his or her primary residence located in the district for which election is sought for 1 year prior to the election. Primary residence shall be determined based on factors including, but not limited to: real property rights, homestead exemption, electricity usage patterns voter registration location, and address on a driver's license. This requirement shall not be applicable to any Director serving on the Board of Directors on April 17, 2018, for so long as that incumbent Director is re-elected to consecutive terms on the Board of Directors from the same district and maintains electric service in the district he or she represents. If an incumbent Director as of April 17, 2018, seeks a non-consecutive term as Director, the candidate must comply with all requirements of Section 4.02.
6. Not in any way be employed by or financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative.
7. Not hold an elected public office for which a salary is paid for a governmental entity located wholly or partially within the geographic area served by the Cooperative.

8. A Director shall not be absent from more than three regular Board Meetings during any twelve-month period, or a total of five Board Meetings (regular or special) during any twelve month period. The Board may, for good cause, excuse any absence and if excused shall not affect the Director's eligibility to serve.
9. All Directors elected after 2014 shall be required to complete and maintain the required NRECA Training Courses to acquire a Credentialed Cooperative Directors Certificate within the three-year period immediately following his/her being appointed or elected to the Board.

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

SECTION 4.03. Election. At each annual meeting of the members, directors shall be elected by secret written ballot by the members. A non-natural person member may be represented by one natural person whose authority to represent and vote for said non-natural person member is evidenced in writing. Directors shall be elected by a majority of votes cast. In any election in which there is only one director candidate for a specific director position, the General Counsel of the Cooperative may certify to the Board that the election for that director position is uncontested, and the Members shall have deemed to have elected the single director candidate by general consent. The Board may suspend distribution of the official ballots for a director election that has been declared uncontested.

SECTION 4.04. Tenure. All directors to be elected shall be elected by secret ballot at annual meetings of the members by and from the members to serve as provided in the Articles of Incorporation or until their successors shall have been elected and shall have qualified. If an election of directors shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing directors within a reasonable time thereafter. Directors shall be elected by a majority of the members present at such annual or special meeting as specified in Sections 3.01 and 3.02 hereof. Failure of an election for a given year shall allow the incumbent whose directorship would have been voted on to hold over until the next member meeting at which a quorum is present; and at said next meeting, directors shall be elected to fill the unexpired terms.

SECTION 4.05. Directorate Districts. The territory served or to be served by the Cooperative shall be divided into nine districts, each of which shall contain as nearly as possible the same number of members, and each district shall have therefrom one director. The boundaries of the districts and the number of same shall be as follows until such time as said districts may be changed or altered, as hereinafter provided.

District 1. Beginning on FM 362 in Grimes County in the SBEC service territory, east of FM 362 back to the Waller - Grimes County line including north Grimes County. Then east of Clark Road, to north of Reids Prairie Road, to east of Newland Road, to north of Riley Road to east and south of Kyle Road, to east of Bowler Road to FM 1488. Then south of FM 1488, to the Waller-Harris County line. The SBEC service territory of Harris County south of FM 1488 to Imhof Road, then west of Kickapoo Road to Joseph Road. North of Joseph Road to the west of the Waller – Montgomery County line north back to FM 1488 including the northern portion of the SBEC service territory in Montgomery County. For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

District 2. Waller County South of US Hwy 290 with the Brazos River as western border to FM 3346, north of FM 3346 to FM 359. Then East of FM 359 and south along Bozeman, south-east of Neiman, and south along Garret Road with the Waller County line as the eastern and southern border. For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

District 3. North Austin County (north of State Highway 159 in the western half of the County and north of FM 529 in the eastern half of the County). Waller County north of FM 529 to FM 359 then north to FM 3346 and south of FM 3346 back west to State Hwy 159 at the Brazos River. For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

District 4. South Austin County (south of State Highway 159 and FM 529). Waller County south of FM 529 to FM 359 then south, then north along Bozeman Road, north-west of Neiman, and north along Garrett Road to the Brazos River. For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

District 5. Northeast Colorado County (the area northeast of State Highway 71 north of Columbus and northeast of the Colorado River south of Columbus). For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

District 6. Central Colorado County (area south of State Highway 71 northwest of Columbus and west of the Colorado River south of Columbus to U.S. Highway 90-A). For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

District 7. Lavaca County and South Colorado County (all of Lavaca County and that portion of Colorado County lying south of U.S. Highway 90-A). For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

District 8. Central Waller County North of US Hwy 290 and east of the Brazos River. Grimes

county line to FM 362, Then south back to the Waller – Grimes County line. West of Clark Road, to south of Reids Prairie Road, to west of Newland Road, to south of Riley Road to west and north of Kyle Road, to west of Bowler Road to FM 1488. Then north of FM 1488 crossing through Harris County and then back to the Waller-Harris County line with US Hwy 290 as the southern border. For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

District 9. Beginning in Harris County at the intersection of Kickapoo Road and Imhof Road, then east of Kickapoo Road to Joseph Road. South of Joseph Road to the east of the Waller – Montgomery County line north back to FM 1488 including the southern portion of the SBEC service territory in Waller and Montgomery Counties. For a more detailed description see the San Bernard Electric Cooperative, Inc. service territory map.

Upon occurrence of any vacancy on the Board of Directors, the remaining directors, prior to filling such vacancy, shall review the composition of the several districts, and if it should be found that inequalities in representation have developed which can be corrected by a redelineation of districts, and/or the creation of additional districts, the Board of Directors shall reconstitute the territory served or to be served by the Cooperative so that each director shall represent as nearly as possible the same number of members, provided, however, the logical district boundaries shall be maintained, and further provided that no more than nine districts shall ever be created.

Following such reconstitution of the territory served or to be served by the Cooperative to include nine such districts, not less than ninety (90) days before any meeting of the members at which directors are to be elected, the Board of Directors shall review the composition of the several districts, and if it should be found that inequalities in representation have developed which can be corrected by a redelineation of districts, the Board of Directors shall reconstitute the districts so that each shall contain as nearly as possible the same number of members, provided, however, that logical district boundaries are maintained.

SECTION 4.06. Nominations. It shall be the duty of the Board of Directors to appoint not less than eighty (80) days, nor more than one-hundred thirty (130) days before the date of an annual meeting of the members, a committee of nominations for each district from which a director is to be elected consisting of three members and two alternates, all of whom shall be members in good standing of the Cooperative and shall reside within the district. The Cooperative will, by mail, notify the members of each district from which a director is to be elected of the names, addresses and telephone numbers of said members and alternates for each respective district. Said notice shall be given within forty (40) days after said members and alternates are designated by the Board of Directors.

Each committee shall nominate at least one but not more than two members from their respective districts and shall prepare and post at the principal office of the Cooperative at least thirty (30) days before the meeting a list of nominations for each directorship up for election. A member of the nominating committee is not eligible to run as a director and cannot nominate his or her self for directorship. Any fifty or more members acting together may make other nominations by petition not less than thirty (30) days prior to the meeting and the Secretary shall post such

nominations at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting, a statement of the number of directors to be elected and the names and addresses of the candidates, specifying separately the nominations made by the committee on nominations and also the nominations made by petition, if any. Ballots shall be prepared by district designation and presented to members when they register. Any member making a nomination by petition shall be a member in good standing of the Cooperative and shall reside within the district for which the nomination is made. Each member shall mark the ballot and deposit same for counting by the credentials and election committee. The candidate from each district from which a director is to be elected receiving the majority of votes of those members at this meeting who cast ballots shall be declared elected as director. The credentials and election committee shall report the results thereof before the meeting adjourns. In the event of a tie vote, any nominee involved in said tie vote may demand a re-count.

In the event a runoff becomes necessary because of tie vote, ballots shall be delivered to the members present as in the first instance, and they shall cast their votes and the same shall be counted accordingly and the credentials and election committee then shall report the results thereof before the meeting adjourns for final approval of same by the membership present.

**SECTION 4.07. Voting for Directors; Validity of Board Action.** In the election of directors, each member present shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of directors to be elected, but no member may vote for more nominees than the number of directors that are to be elected from or with respect to any particular Directorate District. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after election of directors.

**SECTION 4.08. Removal of Directors by Members.** Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten percent (10%) of the total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act on such charges and, if one or more directors are recalled, to elect their successor(s). The place, time and date thereof shall be determined in accordance with Section 3.02 hereof. Each page of the petition shall, in the forepart thereof, state the name(s) and address(s) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) the director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as the member is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon; PROVIDED, that the notice shall set forth only twenty (20) of the names in alphabetical order) of the members filing one or more charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been

validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor; PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against the director shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office was left vacant and shall serve the unexpired portion of the removed director's term.

SECTION 4.09. Vacancies. Subject to the provisions of these By-laws with respect to the filling of vacancies, a vacancy occurring in the Board of Directors including, but not limited to, the removal of directors by the members, resignation, death or failure to qualify under Section 4.02 QUALIFICATIONS, shall, at the sole discretion of the Board of Directors, be filled by majority vote of the Board of Directors or by the members at the next regular election of Directors. If at such time a vacancy occurs and the Board of Directors chooses to fill the vacancy before the next regular election of Directors, at least two (2) but no more than four (4) candidates will be considered to fill the vacancy. These candidates will be reviewed in person by the Board of Directors and the candidate with the majority of votes shall be declared the appointed director. A director thus elected shall serve the balance of the unexpired term of, and be from the same district as was, the director whose office was vacated.

SECTION 4.10. Compensation; Expenses. Directors shall, as determined by resolution of the Board of Directors, receive, on a per diem basis, a fixed fee, which may include insurance benefits, (a) for attending meetings of the Board of Directors and, when such has had prior approval of the Board of Directors, (b) for the performance of other Cooperative business. The fee fixed for attending Board Meetings need not be the same as the fee or fees fixed for performing other Cooperative business. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in attending such meetings and performing such business. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the Board of Directors upon their certification of such as an emergency measure; PROVIDED, that a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such services by the Board of Directors.

SECTION 4.11. Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate



schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or By-laws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 4.12. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

SECTION 4.13. Close Relative Defined. As used in these By-laws, Close relative means a person who, by blood or in law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

#### ARTICLE V MEETINGS OF DIRECTORS

SECTION 5.01. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in Austin County, Texas, or elsewhere, as the Board of Directors may specify by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof; PROVIDED, that, if a policy therefore is established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days notice thereof to all directors.

SECTION 5.02. Special Meetings. Special meetings of the Board of Directors may be called by the President, Board resolution, or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 5.03. The Board, the President, or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in Texas within which the Cooperative serves, unless all directors consent to its being held in some other place in Texas or elsewhere. Special meetings, upon proper notice as otherwise provided in Section 5.03, may also be held via telephone conference call, without regard to the actual location of the directors at the time of such a telephone conference meeting, if all the directors consent thereto.

SECTION 5.03. Notice of Directors Meetings. Written notice of the date, time, place (or telephone conference call) and purpose or purposes of any special meeting of the Board and, when the business to be transacted shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by those calling it in the case of a special meeting or by any director in the case of a meeting whose date,

time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at the director's address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

SECTION 5.04. Quorum. The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present shall be required for any action to be taken; PROVIDED, that a director who by law or these By-laws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of directors in office or present; AND PROVIDED FURTHER, that if less than a quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

#### ARTICLE VI OFFICERS; MISCELLANEOUS

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

SECTION 6.02. Election and Term of Office. The officers named in Section 6.01 shall be elected by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until a successor shall have been duly elected and shall have qualified, subject to the provisions of the By-laws with respect to the removal of directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

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

SECTION 6.04. Vacancies. A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

SECTION 6.05. President. The President shall

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

(b) sign, with the Secretary, certificates of membership the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-laws 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 of Directors from time to time.

SECTION 6.06. Vice-President. In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President shall perform the duties of the President, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned by the Board of Directors. In the event that the Vice-President is unable to perform the duties above stated, the Second Vice-President shall perform the same; and in the event the Second Vice-President is unable to perform the duties above stated, the Third Vice President shall perform the same.

SECTION 6.07. Secretary. The Secretary shall

(a) keep, or cause to be kept, the minutes of meetings of the members and the Board of Directors in one or more books provided for that purpose;

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

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

(d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;

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

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

(g) keep on file at all times a complete copy of the Cooperative's Articles of Incorporation and By-laws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and

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

SECTION 6.08. Treasurer. The Treasurer shall

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative;

(b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or in such financial institutions or securities as shall be selected in accordance with the provisions of these By-laws; and

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

SECTION 6.09. Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer provided in Sections 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does not delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

SECTION 6.10. CEO/General Manager. The Board of Directors may appoint a CEO/General Manager, who may be, but who shall not be required to be, a member of the Cooperative. Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in the CEO/General Manager.

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

SECTION 6.12. Compensation; Indemnification. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 4.10 of these By-laws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed or a plan therefore approved by the Board of Directors. The Cooperative shall indemnify present and former directors, officers, including the CEO/General Manager, agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or

omissions were in the best interests of the Cooperative or were not against the best interests of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

SECTION 6.13. Reports. The officers of the Cooperative shall submit at each annual meeting of the member's reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

SECTION 6.14. Board Executive Committee. Unless otherwise determined by the Board:

1. A Board Executive Committee is comprised of the President of the Board (and said President shall serve as Chairperson of the Committee) plus two other members of the Board chosen by majority vote of the Board. The members of the Committee will be selected annually at the organizational meeting following the annual meeting of the Cooperative.
2. The Committee shall meet when it is impracticable or inconvenient for the entire Board to meet and consider a matter. The specific time and place of the meeting shall be set by the Chairperson and such meeting may be conducted by telephone conference if all members of the Committee agree.
3. The Committee is a Board Committee and may exercise all Board authority granted by the Board and permitted by law (Article 2.36 of the Texas Business Corporation Act), the Articles of Incorporation, or these By-laws. The Committee shall also serve in an advisory capacity for issues confronting the CEO/General Manager.
4. At the next meeting of the Board following any exercise of the Committee authority, the Committee shall report to the Board the matters considered and the actions taken by the Committee.

## ARTICLE VII CONTRACTS, CHECKS and DEPOSITS

SECTION 7.01. Contracts. Except as otherwise provided by law or these By-laws, the Board of Directors may authorize any Cooperative officer, agent or employee to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 7.02. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness, issued in the name of the Cooperative, shall be signed or countersigned by such officer, agent or employee of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

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

## ARTICLE VIII NON-PROFIT OPERATION

SECTION 8.01. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times

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

SECTION 8.02. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnish of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credits in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to the patron's account; 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 the specific amount of capital so credited to the capital 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.

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

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members; PROVIDED, that insofar as gains may at that time be realized from the sale of any appreciated asset, such gains shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during that period, insofar as is practicable, as determined by the Board of Directors before any payments are made on account of property rights of members. If, at any time prior to dissolution of liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patron so accounts may be retired in full or in part. After June 9, 1977, 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.

Capital credited to the account of each patron shall be assignable only on the books of the

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

Notwithstanding any other provisions of these By-laws, the Board of Directors shall, at its discretion, have the power at any time upon the death of any patron who was a natural person (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representatives of the estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the By-laws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby. The capital credits of bankrupt or dissolving non-natural person members will not be paid immediately upon the request; however, the Cooperative will allow the assignment of said capital credits upon the books of the Cooperative.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct there from any amount owing by such patron to the Cooperative, together with interest thereon at the Texas legal rate on judgments in effect when such amount became overdue, compounded annually.

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

**SECTION 8.03. Patronage Refunds in Connection with Furnishing Other Services.** In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable there from 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 pro-rated annually on a patronage basis and returned to those patrons from whom such amounts were obtained at such time and in such order of priority as the Board of Directors shall determine.

**SECTION 8.04. Unknown Whereabouts of Previous Members.** 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 amounts to such persons in accordance with the By-laws.

## ARTICLE IX WAIVER OF NOTICE

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

#### ARTICLE X DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

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

#### ARTICLE XI FISCAL YEAR

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

#### ARTICLE XII RULES OF ORDER

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

#### ARTICLE XIII SEAL

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

#### ARTICLE XIV AMENDMENTS



These By-laws may be altered, amended or repealed by not less than the affirmative vote of two-thirds (2/3rds) of all of the members of the Board of Directors present at any regular or special meeting, provided that the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or an accurate summary explanation thereof.

Revised: 12-13-22