

URECC BYLAWS



JANUARY 17, 2012

IT SHALL BE THE AIM OF
UPSHUR RURAL ELECTRIC
COOPERATIVE CORPORATION

to make reliable electric energy available to its
Members at the lowest cost consistent with
sound economy and good management

BYLAWS

of

UPSHUR RURAL ELECTRIC
COOPERATIVE CORPORATION

(As amended January 17, 2012)

ARTICLE I

MEMBERSHIP

SECTION 1. Requirement for Membership

Any person, firm, association, corporation, business trust, partnership, Federal Agency, State or political subdivision thereof, or any body politic having any dwelling, structure, apparatus, or point of delivery in Upshur Rural Electric Cooperative Corporation's (hereinafter called the "Cooperative") service territory may become a Member of the Cooperative by:

- (a) making a written application for Cooperative Services;
- (b) agreeing to purchase Cooperative Services as hereinafter specified; from the Cooperative; and
- (c) agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors.

No Member may hold more than one membership in the Cooperative.

SECTION 2. Membership

Membership in the Cooperative shall be evidenced by signature and acceptance of the "Application for Membership and for Electric Service", which shall be in such form and contain such provisions as determined by the Board of Directors.

SECTION 3. Joint Membership

A husband and wife may apply for a joint membership by each signing and accepting such application set forth in Section 2 of this Article, and subject to their compliance with the requirements set forth in Section 1 of this Article. The term "Member" as used in these Bylaws shall be deemed to include a husband and wife holding jointly a membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or 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 and shall have the effect of revoking a proxy executed by either or both and of constituting a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A proxy executed by either or both shall constitute one joint proxy;
- (d) A waiver of notice signed by either or both shall constitute a joint waiver;
- (e) Notice to either shall constitute notice to both;
- (f) Expulsion of either shall terminate the joint membership;
- (g) Withdrawal of either shall terminate the joint membership; and
- (h) Either but not both may be elected or appointed as an officer or director, 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 his or her spouse to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board of Directors. The outstanding application for membership shall be changed 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 application for membership shall be changed 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 5. Purchase of Cooperative Services

"Cooperative Service(s)" shall include providing electric energy and related services or products. Each individual, entity or member who has submitted an application for a Cooperative Service shall, as soon as the Cooperative Service is available, be liable to the Cooperative for any minimum amounts required by the Cooperative per month regardless of the amount of electric energy consumed or regardless of whether the individual, entity, or Member is ready to receive a Cooperative Service. Each Member shall pay all amounts owed to the Cooperative as and when the same shall become due and payable. A Member shall purchase Cooperative Services provided by the Cooperative and used on the premises specified in the individual's, entities, or Member's application for membership and shall, except as otherwise provided by contract, pay therefore monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric

energy which the Cooperative shall be required to furnish to any one Member. It is expressly understood that amounts paid for Cooperative Services in excess of cost of service, are furnished by Members as capital and each Member shall be credited with the capital so furnished as provided in these Bylaws. Except as otherwise provided by the Board of Directors, a Member may not sell, lease, or otherwise transfer a Cooperative Service provided by the Cooperative or a right to a Cooperative Service provided by the Cooperative.

SECTION 6. Cancellation and Transfer of Membership

- (a) Membership in the Cooperative may be cancelled upon the following terms and conditions, with or without the consent of the Member.
 - (1) The membership may be cancelled when the Member discontinues electric service.
 - (2) After signing a new application for membership and new Member has not begun using electricity in sixty (60) days and the Cooperative has promised to make service available, the membership may be cancelled.
 - (3) If it becomes apparent that the Cooperative will be unable, to give the Member electric service for various reasons, the membership may be cancelled.
 - (4) Cancellation of a membership in any manner shall not release a former Member or a former Member's estate from any debts due the Cooperative.
- (b) When a membership is held jointly by husband and wife, and upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, provided, however, that the estate of the deceased shall not be released from any debts or liabilities to the Cooperative.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members

Upon dissolution, after

- (a) all debts and liabilities of the Cooperative shall have been paid, and
- (b) all capital credit furnished through patronage shall have been retired as provided in these Bylaws.

The remaining property and assets of the Cooperative shall be distributed among the Members and former Members in the proportion which the aggregate patronage of each bears to the total patronage of all Members.

SECTION 2. Non-liability for Debts of the Cooperative

The private property of the Members shall be exempt from execution or liability for the debts of the Cooperative and no Member shall be liable or responsible for any debts or other liabilities of the Cooperative.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 1. Annual Meeting

The annual meeting of the Members, beginning with the year 1952, shall be held each year at such time and place in Upshur County, Texas, as shall be fixed by the Board of Directors, and designated in the notice of the meeting, for the purpose of electing Directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. If the day fixed for the annual meeting shall fall on a legal holiday, such meeting shall be held on the next succeeding business day. Failure to hold the annual meeting at the designated time shall not work as a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings

Special meetings of the Members may be called by resolution of the Board of Directors, or upon written request signed by any three Directors, 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 place within the County of Upshur, State of Texas, specified in the notice of the special meeting.

SECTION 3. Notice of Members' Meetings

Written or printed notice stating the place, day, and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered 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 his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any Member to receive notice of any annual or special meeting of the Members shall not invalidate any action, which may be taken by the Members at any such meeting.

SECTION 4. Quorum

One hundred and fifty Members present in person or represented by proxy shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the Members present in person.

SECTION 5. Voting

Each Member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the Members. If the Member shall elect, he may vote by mail. For a mail vote to be valid, it shall be on the official ballot issued by the Cooperative and shall be postmarked by midnight at least five (5) days before the date of the meeting. A Member who is present at a Members' meeting may, if he or she appears in person at such meeting, revoke any mailed ballot and vote on the matters to be submitted at such meeting on the ballot form submitted on the date of such meeting, in which event the mailed ballot shall immediately become void and of no force and effect.

In the event of any contested election for the position of Director, the President shall appoint six (6) Members in good standing who are present at the meeting for the purpose of serving as an election committee and to canvass the votes of the membership.

SECTION 6. Proxies

A Member may vote by proxy executed in writing by the Member. Such proxy shall be filed at the Cooperative office not later than 24 hours before the time of the meeting. No proxy shall be valid after sixty days from the date of its execution. No proxy shall be valid unless it shall designate the particular meeting at which it is to be voted and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. A Member may give his proxy only to another Member or to an adult relative living in the same home with such Member, and no person may hold more than one proxy at any meeting. The presence of a Member at a meeting shall revoke a proxy theretofore executed by such Member and such Member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy. The minutes of each meeting shall contain a list of the Members represented by proxy and of their respective proxies. Prior to the time of voting, the Secretary or his designate will call forth those that hold proxies and pass out a ballot to each holding a proxy.

SECTION 7. Districts

The territory served or to be served by the Cooperative shall be divided into nine (9) districts. Each district shall be represented by one (1) Director. The nine (9) districts shall be designated and described as follows:

District No. 1

The North Boundary Line shall be along the North Boundary Line of Camp County from its Northwest corner to a point of intersection of the Camp County Line and US 259; the East Boundary shall start at this point and continue South along US 259 to the intersection of US 259 and FM 557; Thence West along FM 557 to Verbena Road; Thence South along Verbena Road to SH 155; Thence Southwest along SH 155 to FM 2796; Thence North along FM 2796 to FM 593; Thence West along FM 593 to the intersection of FM 593, US 271 and Mule Deer Road; Thence continuing West on Mule Deer Road to the intersection of the Wood and Camp County Line; Thence North along this line to the originating point.

District No. 2

The North Boundary Line shall begin at the intersection of FM 2879 and FM 449; Thence East along FM 449 to SL 390 in Marshall; the East Boundary Line shall continue South along SL 390 to SH 43; Thence South along SH 43 to the centerline of Potters Creek; Thence South along Potters Creek to the centerline of the Sabine River; the South Boundary Line shall continue West along the centerline of the Sabine River to the Gregg and Harrison County Line; the West Boundary Line shall continue North along the Gregg and Harrison County Line to IH 20; Thence East along IH 20 to SL 281; Thence North along SL 281 to FM 2879; Thence North along FM 2879 to Forest Hill Road; Thence North along Forest Hill Road to FM 2879; Thence North along FM 2879 to FM 449 to the originating point.

District No. 3

The North Boundary Line shall be the Ultimate Project Area to the North, beginning at the Louisiana State Line on the East and go West to a point of intersection with the East City Limits of Avinger; Thence South along said line to a point of intersection with the centerline of Big Cypress Creek; Thence East along said creek to the intersection with FM 726; Thence South along FM 726 to FM 3001; Thence South to Alonzo Smith Road; Thence South along Alonzo Smith Road to Dumpground Road; Thence South along Dumpground Road to Liberty Church Road; Thence South along Liberty Church Road to Johnson Road; Thence South on Johnson Road to FM 2208; Thence West on FM 2208 to McPhail Road; Thence South on McPhail Road to Tom Smith Road; Thence South on Tom Smith Road to Driskell Bridge Road; Thence South on Driskell Bridge Road to McPhail Road; Thence South on McPhail Road to SH 154; Thence East on SH 154 to SL 390; Thence the Ultimate Project Area to the Louisiana State Line; the East Boundary shall be the Louisiana State Line.

District No. 4

The Northern Boundary Line shall begin at the intersection of FM 852 and CR 4490; Thence East along CR 4490 to FM 2455; Thence East along FM 2455 to the Wood and Camp County Line; Thence South along said line to FM 2088; Thence East on FM 2088 to Mule Deer Road; Thence East along Mule Deer Road to FM 593; Thence East along FM 593 to FM 2796; the East Boundary Line shall begin at this point going South along FM 2796 to SH 155; Thence South on SH 155 to US 271; Thence South on SH 155 to SH 154; the Southern Boundary Line begins at this point; Thence West on SH 154 to Bison Road; Thence North on Bison Road to Caribou Road; Thence West on Caribou Road to SH 154; Thence West on SH 154 to North Impala Road; Thence North on North Impala Road to Groundhog Road; Thence West on Groundhog Road to FM 1002; Thence South on FM 1002 to Bluewood Road; Thence West along Bluewood Road to the Wood and Upshur County Line; Thence South along this line to the centerline of Mill Creek; Thence West along the centerline of Mill Creek to FM 14, the West Boundary Line shall be the Ultimate Project Area Boundary Line to the beginning point.

District No. 5

The Northern Boundary shall begin at the point of intersection of IH 20 and SL 281; Thence North on SL 281 to SH 300; Thence North on SH 300 to the Gregg and Upshur County Line; Thence West along this line to the West Ultimate Boundary Line; the West Boundary shall be the West Ultimate Project Area Boundary; the Southern Boundary shall be the South Ultimate Project Area to the intersection point of the Gregg and Harrison County and the Sabine River Centerline; Thence North along the Gregg and Harrison County Line to IH 20; Thence East on IH 20 to the Intersection of IH 20 and SL 281 being the originating point.

District No. 6

The West Boundary Line shall begin at the point where the centerline of Big Cypress Creek intersects with the Marion and Upshur County Line; Thence following this line West and South until it intersects with LaFever Road; Thence West on LaFever Road to Zinnia Road; Thence continue West on Zinnia Road to Smilax Road; Thence West on Smilax Road to US 259; Thence South on US 259 to the intersection point with the Upshur and Gregg County Line; Thence West and South along the Upshur and Gregg County Line to the intersection with FM 449; Thence West on FM 449 to Sam Page Road; Thence South on Sam Page Road to Wiley Page Road; the Southern Boundary Line shall begin at this point and continue East on Wiley Page Road to Ray Bussey Road; Thence East on Ray Bussey Road to Forrest Hills Road; Thence North on Forrest Hills Road to FM 2879; Thence North on FM 2879 to FM 449; Thence East on FM 449 to SL 390 in Marshall; the East Boundary Line shall start at this point; Thence North on SL 390 to SH 154; Thence West on SH 154 to McPhail Road; Thence North on McPhail Road to Driskell Bridge Road; Thence East on Driskell Bridge Road to Tom Smith Road; Thence North on Tom Smith Road to McPhail Road; Thence North on McPhail Road to FM 2088; Thence East on FM 2088 to Johnson Road; Thence North on Johnson Road to Liberty Church Road; Thence North on Liberty Church Road to Dumpground Road; Thence North on Dumpground Road to Alonzo Smith Road; Thence North on Alonzo Smith Road to FM 3001; Thence East on FM 3001 to FM 726; Thence North on FM 726 to the intersection of FM 726 and the centerline of Big Cypress Creek; the North Boundary Line being East along this line to the originating point.

District No. 7

The Northern Boundary Line begins at the point of intersection of SH 154 and US 271; Thence West on SH 154 to Bison Road; Thence North on Bison Road to Caribou Road; Thence West on Caribou Road to SH 154; Thence West on SH 154 to North Impala Road; Thence North on North Impala Road to Groundhog Road; Thence East on Groundhog Road to FM 1002; Thence South on FM 1002 to Bluewood Road; Thence West on Bluewood Road to the Wood and Upshur County Line; the West Boundary Line begins at this point; Thence South along this line to the centerline of the Sabine River; the Southern Boundary being the centerline of the Sabine River, East to the Gregg County Line; Thence Gregg and Upshur County Line to the intersection of said line and US 271; Thence North on US 271 to the originating point.

District No. 8

The West Boundary Line starts at a point of intersection of SH 154 and US 271; Thence South along US 271 to a point of intersection of the Gregg and Upshur County line; the Southern Boundary Line shall continue along the Gregg and Upshur County Line East to the intersection of SH 300; Thence South along SH 300 to a point of intersection with SL 281; Thence North along SL 281 to the intersection of FM 2879; the Eastern Boundary Line shall start at this point continuing North on FM 2879 to the intersection of Ray Bussey Road; Thence East on Ray Bussey Road to Wiley Page Road; Thence South on Wiley Page Road to Sam Page Road; Thence North on Sam Page Road to FM 449; Thence East on FM 449 to the Gregg and Harrison County Line; Thence North along the Gregg and Harrison County Line to the centerline of the Little Cypress Creek; the Northern Boundary Line shall begin at this point and continue along the centerline of the Little Cypress Creek West to the intersection with US 259; Thence North on US 259 to Franklin Road; Thence West on Franklin Road to FM 726; Thence West on FM 726 to the centerline of the South Fork of Sugarcreek; Thence continue North along said creek to Sugar Creek; Thence South along Sugar Creek to SH 154; Thence West on SH 154 to the originating point.

District No. 9

The West Boundary Line shall begin at the intersection of FM 729 and US 259; Thence South on US 259 to FM 557; Thence West along FM 557 to Verbena Road; Thence South along Verbena Road to SH 155; Thence South on SH 155 to US 271; Thence South on US 271 to SH 154; the South Boundary Line shall be from this point East on SH 154 to the centerline of Sugar Creek; Thence North along Sugar Creek to the South Fork of Sugar Creek; Thence South along the South Fork of Sugar Creek to SH 154; Thence East on SH 154 to FM 726; Thence North on FM 726 to US 259; Thence North on US 259 to Smilax Road; Thence East on Smilax Road to Zinnia Road; Thence East on Zinnia Road to LeFever Road; Thence East on LeFever Road to the Upshur and Harrison County Line; the East Boundary Line shall begin at this point continuing North along the Upshur and Harrison County Line to the intersection with the Upshur and Marion County Line; Thence North along the Upshur and Marion County Line to the intersection with the centerline of Big Cypress Creek; Thence North along said line to the intersection with the East Avinger City Limits; Thence North from this point to the Ultimate Project Area North Boundary; the North Boundary Line shall be the North Ultimate Project Area Boundary Line back to the point of origin.

Not less than sixty (60) 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 re-delimitation of districts, the Board of Directors shall reconstitute the districts.

SECTION 8. Order of Business

Except as otherwise provided in these Bylaws, before or at an annual or special meeting of the Members, the Board of Directors: (1) shall determine the agenda, program, or order of business for the meeting of the Members; and (2) may limit attendance at the meeting to Members.

Except, as otherwise provided by the Board of Directors before or at a meeting of the Members, the President: (1) shall preside at the meeting of the Members; (2) may remove a person from the meeting of the Members for unruly, disruptive, or similar behavior; and (3) may exercise power reasonably necessary for efficiently and effectively conducting the meeting of the Members.

Except as otherwise provided by the Board of Directors before or at a meeting of the Members, Members attending the meeting of the Members may only consider, vote, or act upon a matter described on the ballot provided for under Section 5 of this Article that was mailed with the notice as provided in Section 3 of this Article.

ARTICLE IV

DIRECTORS

SECTION 1. General Powers

The business and affairs of the Cooperative shall be managed by a Board of nine (9) Directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the Members.

SECTION 2. Election and Tenure of Office

Beginning with the year 1950, the Directors of the Cooperative shall be divided into three (3) classes, each class to consist of three (3) Members. At the annual meeting of the Cooperative held in 1950, one director each from districts numbered (1), (2), (3), shall be elected by secret ballot by and from the Members, as Directors of the first class, to serve until the next annual meeting or until their successors have been elected and shall have qualified. One director from districts number (4), (5), (6), shall be elected by secret ballot by and from the Members, as Directors of the second class, to serve until the second succeeding annual meeting or until their successors have been elected and shall have qualified. One director each from districts numbered (7), (8), (9), shall be elected by secret ballot by and from the Members, as Directors of the third class, to serve until the third succeeding annual meeting or until their successors have been elected and shall have qualified. At each annual meeting thereafter, the Directors shall be elected by secret ballot by and from the Members, to succeed those Directors whose terms of office shall have expired, to serve for a period of three years or until their successors 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, the Board of Directors shall cause an election to be held at a special meeting of the Members within a reasonable time thereafter. Directors may be elected by a plurality vote of the Members.

SECTION 3.

(a) Qualifications

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

1. is not a Member in the area served or to be served by the Cooperative and of the district they are to represent;
2. is in any way employed by or has significant financial interest in a competing enterprise or a business selling electric energy, or supplies to the Cooperative, or a business primarily engaged in selling electric or plumbing appliances, fixtures or supplies, to the Members of the Cooperative;
3. has been elected to or holding public office in connection for which a salary is paid;
4. is not a resident of the district they represent. A resident of a district is an individual who resides and is registered to vote with an address located in the district;
5. is an employee or has been a former employee of the Cooperative within the seven (7) years prior to the election at which such member is to be placed on the ballot;
6. is receiving compensation for serving the Cooperative in any capacity;

7. who is a close relative of an employee of the Cooperative;
8. is a close relative of an existing Director;
9. has not been a Member of the Cooperative for a period of twenty-four (24) consecutive months preceding the election;
10. has been convicted of a felony or a crime of moral turpitude in this state or any other state;
11. does not have the capacity to enter legally binding contracts.

For the purposes of these Bylaws "close relative" means an individual who:

1. 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
2. resides in the same residence (collectively, "close relative").

An individual qualified and elected, designated, or appointed to a position does not become a close relative while serving in the position because of a marriage or legal action to which the individual was not a party.

Any director, after being given notice in writing at least ten days prior to the meeting of the Board of Directors at which a vote is to be taken and having been given an opportunity to respond at that meeting, may be removed by the affirmative vote of the majority of the remaining directors if he fails to meet the qualifications set forth in this Section and the vacancy created thereby shall be filled according to Section 5 of this Article IV.

Nothing contained in this Section, however; shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

(b) Nomination of Directors

It shall be the duty of the Board of Directors to appoint, not less than forty (40) days nor more than seventy (70) days before the date of a meeting of the Members at which Directors are to be elected, a nomination committee consisting of not less than three (3) Members. At least one (1) Member of the committee shall be elected from each district from which a Director is to be elected. Nomination Committee Members may not be an existing or close relative of an existing Director; known Director Candidate; or Cooperative employee.

The Nomination Committee shall prepare and post at the principal office of the Cooperative at least thirty-five (35) days before the meeting, a list of nominations for Directors. At least one (1) candidate shall be nominated by the committee from each district from which a Director is to be elected. Any 25 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 place where the list of nominations made by the committee are posted.

The Secretary shall mail with the notice of the meeting or separately but at least ten (10) days nor more than thirty (30) days before the date of the meeting a statement of the number of Directors to be elected and the names and addresses of the candidates. The names of the candidates shall be arranged by districts, from which a Director is to be elected. Such statement shall also designate the candidate nominated by the committee and those nominated by petition.

The Members may at any meeting at which a Director shall be removed as provided in these Bylaws elect a successor thereto without compliance with the foregoing requirements with respect to nominations, provided, however, that any successor must reside in the same district as the Director in respect of whom the vacancy occurs. Notwithstanding anything herein contained, failure to comply with any of the provisions of this subsection shall not affect in any manner whatsoever the validity of any election of Directors.

(c) Election of Directors

Election of Directors shall be by the Cooperative's official printed ballot. The ballots shall list the names of the candidates nominated by the committee and by petition; such names shall be arranged by districts.

Each Member of the Cooperative present in person, voting by mail or represented by proxy at the meeting shall be entitled to vote for one candidate from each district from which a Director is to be elected. The candidate from each district from which a Director is to be elected receiving the highest number of votes at such meeting shall be declared elected as a Director.

SECTION 4. Removal of Directors by Members

Any Member may bring charges against a Director and, by filing with the Secretary such charge in writing together with a petition signed by at least twenty-five per centum (25%) of the Members of such district, may request the removal of such Director by reason thereof. Such Director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the Members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at the meeting of the Members and any vacancy created by such removal may be filled by vote of the Members at such meeting without compliance with the foregoing provisions with respect to nominations, provided, however, that the successor must reside in the same district as the Director in respect of whom the vacancy occurs.

SECTION 5. Vacancies

A vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining Directors for the unexpired portion of the term. The Member elected to fill the vacancy must reside in the same district as the replaced Director.

SECTION 6. Compensation

Directors shall not receive any salary for their services as Directors, except that by resolution of the Board of Directors a fixed sum and actual expense of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors. No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any person who is a close relative of a Director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the Board of Directors.

ARTICLE V

MEETING OF DIRECTORS

SECTION 1. 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 Upshur County, Gilmer, Texas as the Board of Directors may provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meetings

Special meetings of the Board of Directors may be called by the President or 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. The President or the Directors calling the meeting shall fix the time and place (which shall be in Upshur County, Gilmer, Texas), for the holding of the meeting.

SECTION 3. Notice of Special Meetings

Written notice of the time, place, and purpose of any special meeting of the Board of Directors shall be delivered to each Director not less than (5) five days previous thereto either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the Director calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Director at the address as it appears on the records of the Cooperative, with postage thereon prepaid.

SECTION 4. Quorum

A majority of the Board of Directors shall constitute a quorum, provided, that if less than such majority of the Directors is present at said meeting, a majority of the Directors present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent Director of the time and place of such adjourned meeting. The act of a majority of the Directors present at a meeting, at which a quorum is present, shall be the act of the Board of Directors.

ARTICLE VI

OFFICERS

SECTION 1. Number

The officers of the Cooperative shall be a President, a Vice President, a Secretary, an Assistant Secretary, a Treasurer, and an Assistant Treasurer. The same person may be elected to the office of Secretary and Treasurer, and the same person may be elected to the office of Assistant Secretary and Assistant Treasurer as well as such other officers and committees as may be determined by the Board of Directors from time to time.

SECTION 2. Election and Term of Office

The officers shall be elected annually by and from the Board of Directors at the meeting of the Board of Directors held immediately after the annual meeting of the Members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the Members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

SECTION 3. Removal of Officers and Agents by Directors

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

SECTION 4. President

The President shall:

- (a) be the principal executive officer of the Cooperative and, unless otherwise determined by the Members or the Board of Directors, shall preside at all meetings of the Members and the Board of Directors;
- (b) sign, with the Secretary, or any other proper officer of the Cooperative authorized by the Board of Directors, any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. Vice President

In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the 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 be assigned to him by the Board of Directors.

SECTION 6. Secretary

The Secretary shall be responsible for or make arrangements for the following:

- (a) the minutes of the meetings of the Members and of the Board of Directors in one or more books provided for that purpose;
- (b) that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and affix 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) keep a register of names and addresses of all Members;

- (e) have general charge of the books in which a record of the Members is kept;
- (f) keep on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto. Which copy shall always be open to the inspection of any Member; and
- (g) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 7. Assistant Secretary

In the absence of the Secretary, the Assistant Secretary shall perform all the duties of the Secretary as described above.

SECTION 8. Treasurer

- (a) Unless otherwise determined by the Board of Directors, and unless otherwise required by law, the Articles of Incorporation of the Cooperative, or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

SECTION 9. Assistant Treasurer

In the absence of the Treasurer, the Assistant Treasurer shall perform all the duties of the Treasurer.

SECTION 10. Manager

The Board of Directors may appoint a Manager who may be, but who shall not be required to be, a member of the Cooperative. The Manager shall be an officer of the Cooperative for the purpose of managing the day to day operations of the Cooperative, but shall not be a member of the Board of Directors. The Manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him/her. The Board of Directors may confer on said Manager any title it deems appropriate.

SECTION 11. Officer Compensation

The powers, duties, and compensation of officers, agents, and employees shall be fixed by the Board of Directors, subject to the provisions of these Bylaws with respect to compensation for Directors and close relatives of Directors.

SECTION 12. Reports

The officers of the Cooperative shall submit at each annual meeting of the Members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

SECTION 13. Indemnification

The Board of Directors may authorize the Cooperative to indemnify any present or former Director or officer of the Cooperative against all expenses or costs actually and necessarily incurred by the Director or officer in connection with the defense of any action, suit or proceeding to which he or she is made a party by reason of being or having been a Director or officer. The indemnification herein provided shall also cover expenditures incurred in good faith in anticipation of, or in preparation for, threatened or proposed litigation. It shall also cover the good-faith settlement of any action, suit, or proceeding, whether formally instituted or not. No indemnification may be authorized for any officer or Director adjudicated to be liable for negligence or misconduct in the performance of his or her corporate duties. The indemnification herein provided shall not be deemed exclusive of any other rights to which a Director or officer may be entitled under the Bylaws, agreement, vote of Members, or otherwise.

The Board of Directors further may authorize liability insurance to be purchased by the Cooperative for the purpose of indemnifying any present or former Director or officer of the Cooperative of and from expenses or costs actually and necessarily incurred by any such Director or officer in connection with the defense of any action, suit, or proceeding to which he or she is made a party by reason of being or having been a Director or officer, further providing for the payment of a judgment to the extent of the policy limits provided which might be rendered in connection with such litigation.

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 Members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Members. Although the Cooperative shall at all times be operated without profit to its Members, the rates, fees, rents, or other charges for Cooperative Services and any other facilities, supplies, equipment, or services furnished by the Cooperative shall be sufficient at all times:

- (a) To pay all operating and maintenance expenses necessary or desirable for the prudent conduct of its business and the principal of and interest on the obligations issued or assumed by the corporation in the performance of the purpose for which it was organized, and
- (b) For the creation of reserves.

SECTION 2. Patronage Capital in Connection with Furnished Cooperative Services

In the furnishing of Cooperative Services the Cooperative's operations shall be so conducted that all Members 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 Members for all amounts received and receivable from the furnishing of Cooperative Services in excess of operating costs and expenses properly chargeable against the furnishing of Cooperative Services. 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 Members as capital. The Cooperative is obligated to pay by credits to a capital account for each Member 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 Member is clearly reflected and credited to the capital account of each Member. The Cooperative shall notify the Membership by publication in a monthly newsletter the percent of their Member billing so credited to their account. All such amounts credited to the capital account of any Member shall have the same status as though they had been paid to the Member in cash in pursuance of a legal obligation to do so and the Member had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from the 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; a fund in the amount of \$400,000 shall be accumulated from these revenues and funded each fiscal year if necessary to maintain the \$400,000 balance, and (b) to the extent not needed for that purpose allocated to its Members on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of Members, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of Members. If at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to Members' accounts may be retired in full or in part.

Capital credited to the account of each Member 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 Members' premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

When any capital credits are ordered to be retired by the Board of Directors and cash payment is made to eligible Members, the Cooperative shall deduct from such payment any unpaid bill of the Member, which may be due from such Member, regardless of the purpose for which the debt was incurred. This deduction shall be made before any cash payment is made and is to be shown on the Member's statement of capital credits retired in his favor.

The Members 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 Member and, both the Cooperative and the Members are bound by such contract, as fully as though each Member had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each Member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

SECTION 3.

All persons to whom capital credits have been allocated shall keep the Cooperative informed of their current mailing address in order that the Cooperative may retire or refund capital credits, deposits, and any other amounts to such persons in accordance with the Bylaws. If, prior to retirement of capital as provided by these Bylaws, a person ceases to be a Member of the Cooperative and such person's existence and whereabouts are unknown to the Cooperative for a period of five (5) years, capital credited to such person's account shall be deemed a contribution to capital and such persons shall have no further claim to such capital. If a check representing any retirement or refund of any such capital credits, deposits and other such amounts shall be mailed to any such person to the last known address shown in the records of the Cooperative and shall be returned unclaimed to the Cooperative, or any such check shall remain uncashed and no claim therefore shall be made by such person for a period of five (5) years after the issuance thereof, it is agreed that such persons shall thereafter have no right, title and interest to any such capital credits, deposits or other amounts credited to such Member on the books of the Cooperative and all right, title and interest thereon and thereto shall be deemed to be assigned to and shall become the property of the Cooperative.

ARTICLE VIII

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 IX

FINANCIAL TRANSACTIONS

SECTION 1. Contracts

Except as otherwise provided in these Bylaws, the Board of Directors may authorize any office or officers, agent or agents, to enter into any contract or execute and deliver any instruments 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 of other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 3. Deposits

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

SECTION 4. Fiscal Year

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

ARTICLE X

MISCELLANEOUS

SECTION 1. Membership in Other Organizations.

The Cooperative shall not become a member of any other organization without an affirmative vote of two-thirds (2/3) of all of the Board of Directors at any regular or special meeting. Provided, however, that the Directors shall have full power and authority on behalf of the Cooperative to purchase stock in or to become a member of any corporation or cooperative organized on a non-profit basis for the purpose of engaging rural electrification.

SECTION 2. Waiver of Notice

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

SECTION 3. Rules and Regulations

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

SECTION 4. Accounting System and Reports

The Board of Directors shall establish and maintain a complete accounting system which is subject to applicable laws and rules and regulations of any regulatory body. The Board of Directors shall after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year.

ARTICLE XI

Regardless of any provision of these Bylaws to the contrary, any document, including contracts, records, notices, communications, and other documents sent electronically to a Member or former Member at the Member's or former Member's last known electronic address ("Electronic Documents") is considered sent and received on the date sent. Any Electronic Document sent electronically to the Cooperative from a Member is considered sent and received on the date received by the Cooperative.

ARTICLE XII

These Bylaws may be altered, amended, or repealed by not less than the affirmative vote of two-thirds (2/3) of the entire Board at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal.