

Pedernales Electric Cooperative, Inc. Bylaws
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Pedernales Electric Cooperative Inc.

Bylaws

Preamble

The Pedernales Electric Cooperative, Inc. (the "Cooperative") is a democratic organization owned and controlled by its Members (as defined herein), who directly elect the Cooperative's governing body and who actively participate in setting policies and making decisions. The purpose of the Cooperative is to provide safe, reliable, low-cost energy services in fiscally responsible partnership with its Member-owners.

These Bylaws shall be liberally construed so as to ensure that the Cooperative operates with accountability and transparency to its Members. It is the fundamental philosophy and policy of the Cooperative to conduct its operations with a clear presumption of disclosure to its Members, so that in the face of doubt, openness prevails. Members shall have a special right of access, beyond any right of the general public, to the policies, procedures, information, meetings, and records of the Cooperative.

ARTICLE I

Members

Section 1. Membership Procedure. Any individual or entity ("Applicant") with the capacity to enter into legally binding contracts that seeks Electric Service (as defined herein) within the Cooperative's Service Area (as defined herein) may become a member of the Cooperative ("Member");

To establish status as a Member of the Cooperative ("Membership"), an Applicant must agree to:

- (a) make application for Membership, in whatever form then specified by the Board of Directors;
- (b) agree to purchase electric service from the Cooperative ("Electric Service");
- (c) pay the Membership Fee described in Section 2 below and any other amounts specified in the Cooperative's business rules ("Business Rules") and tariff ("Tariff"); and
- (d) agree to comply with and be bound by the Articles of Incorporation of the Cooperative and these Bylaws and any amendments thereto and such Business Rules and Tariff as may from time to time be adopted by the Board of Directors (collectively, the "Governing Documents"). The Governing Documents shall be called to the attention of each Member of the Cooperative by posting in a conspicuous place in the Cooperative's headquarters office and on the Cooperative's website.

A husband and wife may jointly become members ("Joint Membership") or convert an individual Membership to a Joint Membership in accordance with the foregoing provisions of this section. Holders of a Joint Membership: shall enjoy the rights, benefits, and privileges, and are subject to the obligations, requirements, and liabilities, of being a Member; shall notify the Cooperative in writing of a cessation of marriage or the death of a holder of a Joint Membership; and, shall have a single vote for all matters subject to voting.

Other than a Joint Membership, no Membership may be shared or held by more than one person or entity simultaneously, though the Business Rules and Tariff may allow multiple parties to guaranty payment on an account.

Bylaws as amended November 21, 2011 (verified)

Section 2. Membership Fee. A Membership Fee shall be fixed by the Board of Directors ("Membership Fee"). The payment of the Membership Fee and any other amounts required by the Cooperative's Business Rules and Tariff shall make the Member eligible for one (1) service connection. Additional fees may be required for each additional service connection requested by the Member, but no further Membership Fee shall be charged and no additional Memberships shall be created by the creation of additional service connections by the Member.

Section 3. Membership Certificates. Membership in the Cooperative shall be evidenced by a certificate of Membership ("Membership Certificate") which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these Bylaws.

Section 4. Purchase of Services. Each Member shall, as soon as Electric Service shall be available, purchase from the Cooperative such Electric Service, and shall pay therefore at rates that shall from time to time be fixed by resolution of the Board of Directors. Amounts paid in excess of the cost of Electric Service are furnished by Members as capital, and each Member shall be credited with the capital the Member furnished as provided in these Bylaws ("Patronage Capital"). Each Member shall pay such minimum amount per month as shall be fixed by the Board of Directors of the Cooperative, from time to time, regardless of the amount of services used. Each Member shall also pay all obligations that may from time to time become due and payable by such Member to the Cooperative as and when the same shall become due and payable.

Section 5. Non-liability for Debts of the Cooperative. The private property of the Members of the Cooperative shall be exempt from execution for the debts of the Cooperative, and no Member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 6. Expulsion of Members. The Board of Directors of the Cooperative may, by the affirmative vote of not less than five (5) Directors, expel any Member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative, these Bylaws, the Business Rules or the Tariff adopted from time to time by the Board of Directors. Any Member so expelled may be reinstated as a Member by the vote of five (5) or more of the members of the Board of Directors at any meeting of such Board of Directors. The action of the Board of Directors with respect to any such reinstatement shall be final unless and until a new cause for expulsion arises.

Section 7. Withdrawal of Membership. Any Member may withdraw from Membership upon payment in full of all debts and liabilities of such Member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe. The Membership Fee may be refunded to the Member withdrawing from Membership upon payment of all outstanding obligations; the foregoing refund provision shall not apply to Members for whom service has been provided, but who have refused connection.

Section 8. Termination of Membership. Membership in the Cooperative and a Membership Certificate representing the same shall not be transferable, and upon the death, cessation of existence, expulsion or withdrawal of a Member, the Membership of such Member shall thereupon terminate and the Membership Certificate of such Member shall be effectively revoked. Termination of Membership in any manner shall not release the Member from the debts or liabilities of such Member to the Cooperative. When a Membership is a Joint Membership, upon death of either husband or wife, such Joint Membership shall be deemed to be held solely by the survivor with the same effect as though such Membership had been originally issued solely to him or her, as the case may be, and upon the recording of such death on the books of the Cooperative, the Membership Certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any Membership debts or liabilities to the Cooperative until the

satisfaction of such debts or liabilities.

When a Membership is held jointly by a husband and wife, upon legal termination of such marriage, the Membership shall be deemed to be held solely by the spouse continuing to meet the Membership requirements who presents his or her personal affidavit assuming the Membership and responsibility of all debts and liabilities owed to the Cooperative or a court order of similar effect. In the event of the change in a Member's legal name, an affidavit or court order shall also be required to enact the name change on the Membership roster.

Subject to the payment of all debts and liabilities of a Member to the Cooperative, upon termination of Membership, the Cooperative shall pay to such a Member or the Member's personal representative, an amount equal to the Membership Fee paid by such Member.

Section 9. Grant of Easements, Rights-of-Way or Licenses. In consideration of the furnishing of Electric Service, upon request of the Cooperative, a Member shall: (1) provide the Cooperative access to or use of real property in which the Member holds an interest sufficient to grant such use ("Member Property"); and (2) pursuant to the law and any terms and conditions specified by the Cooperative, and without compensation from the Cooperative, grant or convey to the Cooperative a written easement, right-of-way or license for use of Member Property as specified by the Cooperative for the purpose of providing Electric Service to the Member or one or more other Members.

Section 10. Dispute Resolution. A Member shall submit any claim or dispute between the Member and the Cooperative regarding the Governing Documents, the Cooperative's provision of Electric Service, or other matter to the Board of Directors for resolution before pursuing any other action against the Cooperative, except as provided by law.

Section 11. Membership Lists. The Cooperative shall maintain a record of current Members in a form permitting the Cooperative to alphabetically list the names and addresses and Director Districts of all Members ("Membership List"). Upon twenty-five (25) days prior written notice or request to the Cooperative, and upon providing a sworn affirmation of a proper purpose, as defined by the Board, a Member may inspect or obtain a copy of the Membership List. The Member's use of the list shall be limited to the proper purpose affirmed by the Member

ARTICLE II

Meetings of Members

Section 1. Annual Meeting. The annual meeting of the Members shall be held on the third Saturday of June at 10:30 am or such other date and time within June each year, as may be designated by the Board of Directors of the Cooperative, at the Cooperative's Training Center in Blanco County, Texas, or such other place in any county in which the Cooperative provides service as may be designated by the Board of Directors of the Cooperative ("Annual Meeting"). The purposes of the Annual Meeting are to elect Directors and transact such other business as listed in the notice of the Annual Meeting. If the election of Directors shall not be held on the day designated by the Board of Directors for any Annual Meeting, or at any adjournment thereof, the Board of Directors of the Cooperative shall cause the election to be held at a Special Member Meeting (as defined herein) as soon thereafter as may be convenient. Failure to hold the Annual Meeting as designated herein shall not result in forfeiture or dissolution of the Cooperative. At the Annual Meeting, a report shall be provided regarding the activities of the Cooperative during the past year, and audit reports of the accounts, books and financial condition presented to the Board shall be submitted to the Members.

Bylaws as amended November 21, 2011 (verified)

Section 2. Special Member Meeting. A special meeting of the Members ("Special Member Meeting") may be called by the President, or a majority of the Directors, or by a petition signed by at least 10% of the Members ("Member Petition"). A Special Member Meeting shall be held at any place within a county in which the Cooperative provides service, and shall include on the agenda any items listed on the Member Petition or as otherwise specified by the President or a majority of Directors.

Section 3. Notice of Member Meeting. Written or printed notice stating the place, day and hour of an Annual Meeting or Special Member Meeting (each a "Member Meeting") and purpose for which the Member Meeting is called, shall be delivered to each Member not less than ten (10) days nor more than thirty (30) days before the date of the Member Meeting, by or at the direction of the President, the Secretary, or other persons calling the Member Meeting. 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 any Member Meeting shall not invalidate any action that may be taken by the Members at any such meeting.

Section 4. Agenda, Attendance, and Action at Member Meetings. Except as otherwise provided in these Bylaws, before or at a Member Meeting, the Board of Directors shall determine the agenda, program, or order of business for the Member Meeting. Except as otherwise provided by the Board of Directors, the President shall preside at the Member Meeting and may exercise duties and take actions reasonably necessary for efficiently and effectively conducting the Member Meeting. Members attending the Member Meeting may consider, vote, or act only upon matters listed in the notice of the Member Meeting.

Section 5. Member Quorum. A quorum of Members is five thousand (5,000) Members ("Member Quorum") present in person or casting a vote by mail, electronically or on their own behalf by any other method approved by the Board of Directors. If less than the Member Quorum is present in person or by vote cast by mail, electronically or by other method authorized by the Board of Directors at a Member Meeting, then a majority of Members attending the Member Meeting in person may adjourn the Member Meeting to a date no more than ninety (90) days following the original Member Meeting.

Section 6. Voting. Each Member shall be entitled to one (1) vote upon each matter submitted to a vote at a Member Meeting. Except as otherwise provided in these Bylaws, Members shall be deemed to have approved a matter if: (1) a Member Quorum is present and (2) a majority of the Member Quorum vote in favor of the matter. Except in instances specifically mandated by law or the Articles of Incorporation, a Member may not appoint another individual person ("Member Proxy") to vote on any matter for the Member.

Section 7. Election Service Provider. The Cooperative shall designate an independent election service provider to conduct services as specified in these Bylaws, or otherwise determined by the Board of Directors (the "Election Service Provider").

Section 8. Ballots. At all Member Meetings, a Member may vote by ballot. Members may vote their ballot in person at a Member Meeting or, prior to the Member Meeting, may deliver their ballot to the Election Service Provider either in person, by mail, or, when the option is made available to Members, electronically or by any other method authorized by the Board of Directors. All ballots not cast in person at a Member Meeting must be filed for certification with the Cooperative's Secretary or Election Service Provider no later than eight (8) days before a Member Meeting to be valid at said meeting.

Section 9. Record Date. The "Record Date" is the date for determining the total number of Members and Members entitled to: (1) sign any petition, request, demand, consent, appointment, or similar document; (2) receive a ballot, notice of a Member Meeting, or similar document; or (3) vote. If a party is not a Member on the Record Date, then the party may not sign a document, receive a document, or vote. The Record Date for voting at a Member Meeting is the date of the Member Meeting; provided, however, the Board of Directors may fix a different Record Date so long as such date is no more than twenty (20) days before the date a ballot, notice, or similar document is due or required.

Section 10. Election Contest. A Member wishing to contest the results of any Director Election (as defined herein) or other election must present a written statement to the Board Secretary stating the basis for the contest before the first Board Meeting (as defined herein) after any Director Election or election.

ARTICLE III Directors

Section 1. General Powers and Director Districts.

General Powers. The business and affairs of the Cooperative shall be managed by a Board (the "Board of Directors"), consisting of a director (a "Director") from each of the Cooperative's seven (7) Director Districts (as defined herein), except for such vacancies as are allowed by law or these Bylaws. The Board of Directors shall exercise all of the powers of the Cooperative except such as by law, by the Articles of Incorporation of the Cooperative, or by these Bylaws are conferred upon or reserved to the Members or otherwise delegated to the Chief Executive Officer. The Board of Directors shall have the ability to appoint member advisory committees.

Director Districts. Based upon geographic, population, Memberships, or other equitable considerations determined by the Board of Directors, the Board of Directors shall divide the general area in which the Cooperative provides Electric Service (the "Service Area") into seven (7) districts that equitably represent the Members (the "Director Districts"). As necessary, based upon geographic, population, Memberships, or other equitable considerations determined by the Board of Directors, the Board of Directors may revise the Director Districts.

Section 2. Qualifications and Terms of Directors.

Qualifications. To be eligible for election as a Director or to remain a Director a person must meet the following qualifications (collectively, the "Director Qualifications"):

- (a) Be twenty-one (21) years of age and a United States Citizen;
- (b) Be a Member in good standing of the Cooperative and have his or her primary residence in the district for which election is sought.
- (c) Annually complete and sign a conflict-of-interest certification and disclosure form approved by the Board of Directors.
- (d) Not acquire or have a financial interest in or relationship with an outside organization or individual having business dealings with the Cooperative if this interest or relationship would likely impair the ability of the Director to serve the best interests of the Cooperative.
- (e) While a Director and during the three (3) years immediately prior to becoming a Director, a Director shall not be, have been, or have a child, spouse or parent who is or has been
 - (1) an employee of the Cooperative, or
 - (2) an officer, director or owner of ten (10) percent or more of the voting stock or shares or fair market value

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- of an entity, or the subsidiary or parent of an entity, which has entered into a contract with the Cooperative and received consideration of more than \$25,000 from the Cooperative during the twelve consecutive months prior to being qualified as a director or
- (3) an employee, officer, or director of, or an owner of ten (10) percent or more of the voting stock or shares of or fair market value of an entity, or the subsidiary or parent of an entity, that has sold more than an amount equal to or more than 5% of the Cooperative's energy sales the twelve consecutive months prior to being qualified as a Director;
- (f) Not be or have been convicted of a misdemeanor involving moral turpitude or a felony pursuant to state or federal laws;
- (g) Adhere to all applicable requirements of law, the Cooperative's Articles of Incorporation and Bylaws, and the Cooperative's duly made decisions;
- (h) While a Director and during the three (3) years immediately prior to becoming a Director, not have sought to advance or have advanced the individual's pecuniary interest by competing with the Cooperative;
- (i) Act at all times in good faith and for the Cooperative's best interests;
- (j) Have the capacity to enter into legally binding contracts;
- (k) Represent all Members on an impartial basis;
- (l) Except as otherwise provided by the Board of Directors for good cause, attend at least a majority of all Board Meetings during each twelve-month period;
- (m) Work to gain Member and public understanding and support of the Cooperative, its programs and policies; and
- (n) Be willing to devote such time and effort to his or her duties as a Director as may be necessary to oversee the Cooperative's business and affairs, such as attendance at meetings of the Board of Directors, committees of the Board of Directors, state and national association meetings, and Director training and education programs.

Terms. Except as otherwise provided in these Bylaws, a Director's term is three (3) years and until a successor Director is elected ("Director Term"). Three years shall be measured as the period from the date of the Director's election at Annual Meeting until the date of the Annual Meeting in the third year after such Director's election. A Director Term begins immediately upon adjournment of the Member Meeting at which the Director is elected. A Director Term ends immediately upon adjournment of the Member Meeting at which his or her successor is elected. A Director may not serve more than four (4) consecutive Director Terms ("Term Limit"). The count of consecutive terms shall be reset to zero (0) upon the expiration of three (3) years from the date a Director ended his or her most recent term. Therefore, a Director disqualified under this provision and who is otherwise qualified is eligible to run as a candidate for a term commencing at least three (3) years after completion of the Director's last term. Nothing in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors. Subject to Term Limits, any Director may succeed himself or herself.

Section 3. Nominations.

Petition Process. Nominations for Directors may be made by written petition executed by one hundred (100) or more Members with Voting Residence (as defined herein) within the Director District for which the election is being held ("Director Nomination Petition"). Attached to the Director Nomination Petition shall be a written consent by the nominee proposed to serve as a Director if elected ("Nominee"), as well as biographical information to include age and qualifications. The Secretary shall make the form for Director Nomination Petitions available at all district offices and on the Cooperative's website. Said written Director Nomination Petitions must be delivered to the Secretary at the

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Cooperative's principal office not less than seventy-five (75) days prior to the Annual Meeting.

Residence for Nomination Purpose. For purposes of signing a Director Nomination Petition, but not for purposes of establishing Primary Residence for eligibility to serve as a Director, a Member shall be deemed to have residence ("Voting Residence") in the Director District in which the Member uses Electric Service. If a Member uses Electric Service in more than one (1) Director District, the Member shall be deemed to have a Voting Residence in the district in which the Member first used, and continues to use, Electric Service. However, a Member who uses Electric Service in more than one (1) Director District may designate a Voting Residence other than the district where the Member first used Electric Service. Any such designation must be in writing and submitted to the Cooperative.

Nomination Approval. The Chief Executive Officer (as defined herein) or the Chief Executive Officer's designee shall review all Director Nomination Petitions and Nominee Director Qualifications, including primary residence, and present to the Board of Directors a list of Nominees qualified for inclusion on the ballot as candidates ("Director Candidates"). The Board of Directors shall approve the list of Director Candidates for inclusion on the ballot and shall serve as the arbiter of any disputes regarding nomination and qualification of Director Candidates.

Nominating Committee. If no Member is nominated by Director Nomination Petition and qualified as a Director Candidate for a Director District that is open for Director Election, the Board of Directors shall appoint a committee consisting of seven (7) Members, each with a Voting Residence in a different Director District ("Nominating Committee"). No Nominating Committee member may be an existing Director or any other person having declared an intention to be a Director Candidate.

At least sixty (60) days before the Member Meeting at which Members are scheduled to elect Directors, the Nominating Committee(s) shall nominate at least one (1) individual meeting the Director Qualifications and willing to run for Director Election in a Director District for which no qualified Director Candidate has been nominated; and the Nominating Committee(s) shall report the Nominees to the Cooperative Secretary, including all information required to be submitted by Nominees nominated by Director Nomination Petition.

Notice of Director Candidates. At least forty-five (45) days prior to a Member Meeting at which a Director Election is to be held, the Secretary shall mail a ballot to each Member that is eligible to vote with a statement that includes (1) Director Districts scheduled for election by Members; (2) names of all Director Candidates and corresponding Director Districts; and (3) biographical information, including age, hometown and qualifications of each Director Candidate.

Section 4. Election of Directors. The Secretary shall have the names of Director Candidates printed on ballots that shall be used at the Member Meeting at which a Director Election is to be held. The Director District of each Director Candidate shall be printed beside his or her name. All Directors shall be elected by ballot ("Director Election"). The Director Candidate for each directorship receiving the highest number of votes shall be elected. In the event of a tie, the Director shall be determined by a drawing by lot to be conducted by the Election Service Provider.

In the event of a tie in a Director Election, in conducting a drawing by lot, a representative of the Election Service Provider will place in a box as many slips of paper as there are nominees in the tie, with a single slip marked "elected" and the remaining slips marked "not elected." In alphabetical order by last name, each of the Director Candidates in the tie shall blindly draw one (1) slip from the box. The Director Candidate drawing the slip marked "elected" shall be elected to the directorship in question.

Section 5. Disqualification and Removal of Directors.

Director Disqualification. If a Director does not comply with any Director Qualification in effect at the time of his or her most recent qualification to be placed on the ballot for election or reelection, then, except as otherwise provided by the Board of Directors for good cause, the Board of Directors may vote to disqualify the Director and the individual shall no longer be a Director and his or her seat shall be declared vacant ("Disqualification"). Prior to any such vote, the Board of Directors shall notify the Director in writing of the basis for, and provides the Director an opportunity to comment regarding, the Board of Directors' proposed Disqualification. The Director so notified shall have thirty (30) days after the Board of Directors notifies the Director of the proposed Disqualification to comply with or otherwise meet the Director Qualification. Any Disqualification under this Section must be unanimously approved by the remainder of Directors. A Disqualification of a Director for failure to comply with the Director Qualifications does not affect the validity of any previous action by the Board of Directors.

Director Removal. A Director may be removed for cause at any time by the Members pursuant to the procedures specified in this Section. Any Member may bring charges, specifying the causes for removal against a Director, by filing such charges in writing with the Secretary together with a petition signed by 10% of all Members requesting the removal of the Director in question ("Removal Petition"). The Removal Petition shall contain the specific charges of misconduct. The Removal Petition shall be heard and voted upon at the next Member Meeting. The affirmative vote of 10% of all Members is required to effect such removal. The Director against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the Member Meeting. That Director shall have an opportunity at the Member Meeting to be heard in person or by counsel and to present evidence, and the person or persons bringing the charges against him will have the same opportunity. If the removal of more than one Director is sought, a separate vote shall be taken as to each Director. The term "for cause" as used in this Section is defined as malfeasance in office-- that is, the commission of an act which is knowingly unlawful and which affects, interrupts or interferes with the performance of official duties, or which constitutes a gross abuse of office amounting to a breach of trust.

Section 6. Vacancies. If a single vacancy on the Board of Directors ("Vacancy") occurs, such Vacancy shall remain unfilled until the next Annual Meeting, at which time the Members shall elect a Director to fill the Vacancy for the unexpired term of such Director's predecessor. If at any time more than one (1) Vacancy occurs and continues, and if at that time more than one-hundred-and-fifty (150) days remain before the next Annual Meeting, then the Board of Directors shall call a Special Member Meeting for that purpose at which the Members shall elect Directors to fill such Vacancies for the unexpired Director Terms of their respective predecessors. Any such Special Member Meeting shall be held no later than seventy-five (75) days after the second of such Vacancies occurs. Notwithstanding any other provision of these Bylaws, the Board of Directors may establish a timeline for nominations, voting and elections for such Special Member Meeting. As used in these Bylaws, a Vacancy does not include a Director position vacated due to an expired Director Term.

Section 7. Compensation. By resolution of the Board of Directors, a fixed sum and reasonable expenses of attendance may be allowed for attendance at each Regular Board Meeting, Special Board Meeting or Member Meeting and for attendance at each committee meeting. By resolution of the Board of Directors, Directors may be allowed a monthly fee and reasonable expenses, which shall not be a salary, for performance of other Board duties.

Section 8. Indemnification. The Cooperative shall indemnify a Director or former Director against reasonable expenses actually incurred by the person in connection with a proceeding in which the person is a respondent because the person is

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or was a Director if the person is wholly successful, on the merits or otherwise, in the defense of the proceeding.

Section 9. Subsequent Relationship with the Cooperative. A Director may not be compensated by the Cooperative for employment or otherwise engage in a contractual relationship with the Cooperative for a period of five (5) years after the last day served as a Director.

Section 10. Rules and Regulations. The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for the management, administration and regulation of the business affairs of the Cooperative.

Section 11. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Public Utility Commission of Texas. Financial statements of the Cooperative shall be examined monthly by the Board of Directors at Regular Board Meetings. The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year.

Section 12. Change in Rates. Any change in rates, Business Rules, or Tariff charged by the Cooperative must be approved by the Board of Directors.

ARTICLE IV Meetings of Directors

Section 1. Regular Board Meetings. A regular meeting of the Board of Directors shall be held on the third Monday of each month at the E. Babe Smith Headquarters Building of the Cooperative in Blanco County, Texas, unless another meeting location, time and/or date is set by the Board of Directors ("Regular Board Meeting").

Section 2. Special Board Meetings. Special meetings of the Board of Directors ("Special Board Meetings") may be called by the President or any four (4) Directors. The person or persons authorized to call a Special Board Meeting may fix the time and place for the holding of any Special Board Meeting called by them.

Section 3. Telephonic or Electronic Participation in Board Meetings. For good cause and with approval of the Board of Directors, a Regular Board Meeting or Special Board Meeting (each a "Board Meeting") may be conducted with Directors participating but not physically present but deemed present in person through a means of communication by which all Directors participating in the Board Meeting may simultaneously hear, reasonably and verifiably identify themselves, and generally simultaneously and instantaneously communicate with each other during the Board Meeting. Directors that are not physically present may deliberate and vote on the question of approving telephonic or electronic participation. A vote to approve telephonic or electronic participation in any Board Meeting is exempt from the notice requirements herein specified. Such Board Meeting shall be compliant with the Cooperative's Open Meetings Policy, and Members shall have the opportunity to monitor the Board Meeting electronically or in person. A Director may be compensated for a Board Meeting at which that Director participated but was not physically present only with Board approval.

Section 4. Notice. Notice of the time, place and purpose of any Regular Board Meeting shall be given at least seventy-

Bylaws as amended November 21, 2011 (verified)

two (72) hours previous thereto, by written notice, delivered personally, electronically, or by mail, to each Director at the Director's last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed with postage thereon prepaid. Meeting notices and agendas will be posted on the Cooperative's website at least seventy-two (72) hours before each Regular Board Meeting. In an emergency or when there is an urgent necessity, the notice of a Board Meeting or the supplemental notice of a subject added as an item to the agenda for a Board Meeting for which notice has been posted in accordance with this Section is sufficient if it is posted for at least two hours before the Board Meeting is convened. An emergency or an urgent necessity exists only if immediate action is required because of a reasonably unforeseeable situation. The Board of Directors shall clearly identify the emergency or urgent necessity in the notice or supplemental notice under this Section.

Section 5. Board Quorum. Four (4) or more directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, except in the case when four (4) or more vacancies exist on the Board, in which case a majority of the Board shall constitute a quorum ("Board Quorum").

ARTICLE V

Officers

Section 1. Board Officers. The officers of the Board of Directors of the Cooperative shall be a President, Vice President, Secretary and Treasurer ("Officers"). The offices of Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office. The Officers shall be elected annually by and from the Board of Directors at the first meeting of the Board of Directors held after a Member Meeting at which Directors were elected. Unless removed from office under Section 3 below, each Officer shall hold office until a successor shall have been duly elected. An Officer may hold the same office for no more than two (2) consecutive annual terms.

Section 3. Removal. The Board of Directors may remove an Officer elected by the Board of Directors by an affirmative vote of four (4) or more Directors whenever in its judgment the best interests of the Cooperative will be served.

Section 4. Officer Vacancies. Any vacant Officer position shall be filled by a Director selected by a majority of the Board at the earliest possible date.

Section 5. President. The President shall be the principal executive officer of the Board and shall preside at all Member Meetings and of the Board of Directors; sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer of the Cooperative, or shall be required by law to be otherwise signed or executed; and 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. Vice President. The Vice President shall, in the absence of the President, or in the event of the President's inability or refusal to act, perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned by the Board of Directors.

Section 7. Secretary. The Secretary shall: be responsible for minutes of meetings of the Members and the Board of

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Directors; be responsible for authenticating the Cooperative's records; and in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors.

Section 8. Treasurer. The Treasurer shall 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 9. Chief Executive Officer. The Board of Directors shall select a manager who shall perform the duties of chief executive officer of the Cooperative ("Chief Executive Officer").

Section 10. Bonds. The Cooperative may purchase a bond covering an officer or employee.

ARTICLE VI

Contracts, Checks and Deposits

Section 1. Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any Director, the Chief Executive Officer, or any other officer or officers to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, 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.

ARTICLE VII

Nonprofit Operation

Section 1. Interest or Dividends on Capital Prohibited. An electric cooperative shall operate without profit to its Members and on a cooperative basis for mutual benefit of all Members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Members.

Section 2. Patronage Capital in Connection with Furnishing Electric Service or Other Services. In the furnishing of Electric Service, energy or other services, the Cooperative's operations shall be so conducted that all Members will through their patronage furnish Patronage Capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all Members for all amounts received and receivable from the furnishing of Electric Service, energy or other services in excess of operating costs and expenses properly chargeable against the furnishing of such services. All such amounts in excess of operating costs and expenses are received with the understanding that they are furnished as capital. The Cooperative is obligated to record and maintain all capital accounts for each Member of such amounts. The books and records of the Cooperative shall be maintained in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished is clearly reflected and recorded to the capital account of each Member, and the Cooperative shall, within a reasonable time after the close of the fiscal year, make available upon request a report as to the amount of capital so credited. All such amounts credited to the capital account of a Member shall have the same status as though they had been paid to the Member in pursuance of a legal obligation and the Member had then furnished the Cooperative

corresponding amounts for capital.

If the Board of Directors determines 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. The Board of Directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding Patronage Capital shall be retired and paid 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 and paid in full or in part.

Regardless of a statute of limitation or other time limitation, the Cooperative may recoup, offset, or setoff an amount owed to the Cooperative by the Member or former Member, including any compounded interest and late payment fee, by reducing the amount of Patronage Capital to be repaid to the Member or former Member by the amount owed to the Cooperative.

As determined by the Board, before the time the Cooperative anticipates normally retiring and paying Patronage Capital, the Cooperative may retire some or all Patronage Capital and pay the net present value of the retired Patronage Capital. If the Cooperative retires and pays the net present value of Patronage Capital to a Member or former Member before the time the Cooperative anticipates normally retiring and paying the Patronage Capital, then the residual amount of Patronage Capital retained by the Cooperative after discounting shall be classified as permanent equity and not distributed to the Member(s), unless upon dissolution of the Cooperative.

Section 3. Carry Over of Losses to Future Years. No allocations will be made to Members' accounts should the annual determination demonstrate that amounts received from the furnishing of electric or other services were less than operating expenses properly chargeable against the furnishing of such services. The amount by which such expenses exceed such revenues in any annual determination shall be carried forward to the next fiscal year and be used as expenses in the determination of the amount of Patronage Capital assignable to individual Members' accounts for that year.

ARTICLE VIII

Waiver of Notice

Any Member or Director may waive any notice required to be given by these Bylaws, and attendance at any meeting shall constitute waiver of notice of that meeting, unless the person in attendance notifies the presiding officer before the meeting begins that no such waiver is intended.

ARTICLE IX

Disposition of Property

Section 1. Board Approval. The Cooperative may, by a vote of five (5) or more Directors, sell, mortgage, lease or otherwise dispose of or encumber any of its property. The Board may not approve the dissolution or any sale of all or substantially all of the Cooperative's assets ("Dissolution or Sale") on terms that would benefit any Director more than any similarly situated non-Director Member. The Board of Directors may not disqualify a Director for lawfully opposing a Dissolution or Sale.

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Section 2. Membership Approval. The Cooperative may not dissolve the Cooperative or sell or transfer all or substantially all of its assets without the approval of two-thirds (2/3) of all Members of the Cooperative either in person or by Member Proxy.

ARTICLE X
Fiscal Year

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

ARTICLE XI
Amendments

These Bylaws may be amended or repealed by not less than the affirmative vote of five (5) Directors at any Board Meeting.