

OCT 30 1998

Corporations Section

**ARTICLES OF INCORPORATION OF  
THE PEDERNALES ELECTRIC COOPERATIVE SCHOLARSHIP FUND,  
A TEXAS NON-PROFIT CORPORATION**

I, the undersigned natural person over the age of 18, acting as Incorporator, adopt the following Articles of Incorporation of THE PEDERNALES ELECTRIC COOPERATIVE SCHOLARSHIP FUND.

**I.  
NAME**

The name of the Corporation is THE PEDERNALES ELECTRIC COOPERATIVE SCHOLARSHIP FUND.

**II.  
NONPROFIT CORPORATION**

The Corporation is a non-profit corporation.

**III.  
DURATION**

The Corporation will have a perpetual duration.

**IV.  
INITIAL REGISTERED OFFICE AND AGENT**

The name of the initial registered agent of the Corporation and the street address of the initial registered office of the Corporation are:

Ron Borchers  
200 Avenue F  
Johnson City, Texas 78636

SHULH.FINANCE

**V.**  
**INCORPORATOR**

The name and street or post office address of the Incorporator is

SAM K HILDEBRAND  
700 LAVACA, SUITE 1200  
AUSTIN, TEXAS 78701

**VI.**  
**PURPOSES**

The Corporation is organized and shall be operated exclusively for the purpose of making scholarship grants for the purpose of enabling students from rural areas of Texas to attend college, technical school, or other postsecondary educational institution (that qualifies under Internal Revenue Code Section 170(b)(1)(A)(ii)) to (a) individuals or (b) organizations that are organized and operated exclusively for charitable, religious, educational, scientific, and literary purposes within the meaning of Internal Revenue Code Section 501(c)(3), and as described in Sections 170(c), 2055(a), and 2522(a) of the Internal Revenue Code

**VII.**  
**ASSETS**

The assets and properties of the Corporation are hereby pledged for use in performing its exempt functions.

Upon dissolution of the Corporation, the Board of Directors shall, after paying or making provisions for the payment of all liabilities of the Corporation, dispose of all of the assets of the Corporation to such organization or organizations that are organized and operated exclusively for charitable, educational, religious, scientific, or literary purposes, as shall at the time qualify as an organization or organizations exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and which are described in Sections 170(c)(2), 2055(a)(2), and 2522(a)(2) of the Internal Revenue Code, with preference given to such organization which are scholarship funds formed under Texas Property Code Section 74 3013.

**VIII.**  
**POWERS**

Except as otherwise provided in these Articles, the Corporation has all the powers provided in the Texas Non-Profit Corporation Act. In addition, the Corporation has all implied powers necessary and proper to carry out its express powers. As such, the Corporation may reasonably compensate directors or officers for services rendered to or for the Corporation in furtherance of one or more of its purposes

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**IX.**  
**RESTRICTIONS AND REQUIREMENTS**

The Corporation may not take any action prohibited by the Texas Non-Profit Corporation Act. In particular, the Corporation may not.

- (1) Make loans to a director; or
- (2) Distribute dividends or any part of net income of the Corporation to a director or officer, although the Corporation may pay reasonable compensation for services rendered.

Furthermore, the Corporation may not take any action that would be inconsistent with the requirements for federal income tax exemption under Internal Revenue Code Section 501(c)(3) and the regulations promulgated thereunder. Nor may it take any action that would be inconsistent with the requirements for receiving tax-deductible charitable contributions under Internal Revenue Code Sections 170(c)(2), 2055(a)(2), and 2522(a)(2), and the regulations promulgated thereunder. Regardless of any other provision in these Articles or state law, the Corporation may not.

- (1) Engage in activities or use its assets in a manner that does not further one or more of its exempt purposes, as set forth in these Articles, except to an insubstantial degree;
- (2) Serve a private interest other than one clearly incidental to an overriding public interest,
- (3) Devote more than an insubstantial part of its activities to attempting to influence legislation by propaganda or otherwise, except as provided by the Internal Revenue Code and the regulations promulgated thereunder,
- (4) Participate in or intervene in any political campaign on behalf of or in opposition to any candidate for public office, including publishing or distributing statements or any other direct or indirect campaign activities;
- (5) Have objectives characterizing it as an "action organization," as defined by the Internal Revenue Code and the regulations promulgated thereunder;
- (6) Distribute its assets on dissolution other than for one or more exempt purposes;
- (7) Permit any part of the Corporation's net earnings to inure to the benefit of any private individual, or
- (8) Conduct an unrelated trade or business, except as a secondary purpose related to the Corporation's primary exempt purposes

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Notwithstanding any other provision of these Articles, if the Corporation shall be (or shall be deemed to be) a "private foundation," as described in Internal Revenue Code Section 509, the Corporation shall make distributions at such times and in such manners as to avoid tax under Internal Revenue Code Section 4942 and may not

- (1) Engage in any act of self-dealing as defined in Internal Revenue Code Section 4941(d);
- (2) Retain excess business holdings as defined in Internal Revenue Code Section 4943(c),
- (3) Make any investments that would be subject to tax under Internal Revenue Code Section 4944, or
- (4) Make any taxable expenditures as defined in Internal Revenue Code Section 4945(e)

#### **X. MEMBERSHIP**

The Corporation will have no members

#### **XI. MANAGEMENT**

The Corporation will be managed by its Board of Directors and such committees that the Board may establish from time-to-time. The By-Laws will provide the qualifications, manner of selection, duties, terms (other than the terms of the initial Directors), and other matters relating to the Board of Directors.

The number of Directors constituting the initial Board of Directors is 3. The number of Directors may be increased or decreased by adopting or amending the By-Laws, but in no event may the number of Directors be decreased to fewer than three (3).

The names and addresses of the persons who are to serve as the initial Directors, as well as the expiration date of their initial terms, are:

Pat Pesek  
200 Avenue F  
Johnson City, Texas 78636  
December 31, 2003

Melinda Armbruster  
200 Avenue F  
Johnson City, Texas 78636  
December 31, 2002

John Houser  
200 Avenue F  
Johnson City, Texas 78636  
December 31, 2001

## XII.

### ACTION BY WRITTEN CONSENT

Action may be taken by use of signed and dated written consents by the number of directors or committee members whose vote would be necessary to take action at a meeting at which all such persons entitled to vote were present and voted. A telegram, telex, cablegram, or similar transmission by a director or committee member, or photographic, facsimile, or similar reproduction of a signed writing is to be regarded as being signed by the director or committee member. A consent signed by fewer than all the directors or committee members is not effective to take the intended action unless consents, signed by the required number of persons, are delivered to the Corporation within sixty (60) days after the date of the first consent to be signed and dated delivered to the Corporation. Delivery must be made by hand or by certified or registered mail (return receipt requested) and addressed to the President at the Corporation's registered office or principal place of business.

The Corporation shall give prompt notice of the action taken to persons who do not sign consents. If the action requires documents to be filed with the Secretary of State, the filed documents shall indicate that the written-consent procedures have been properly followed.

## XIII.

### LIMITATION ON LIABILITY OF DIRECTORS

A Director of the Corporation shall not be personally liable to the Corporation for monetary damages for any act or omission in such Director's capacity as a Director, except that this Article does not authorize the elimination or limitation of the liability of a Director to the extent the Director is found liable for (a) a breach of the Director's duty of loyalty to the Corporation, (b) an act or omission not in good faith that constitutes a breach of duty of the Director to the Corporation or an act or omission that involves intentional misconduct or a knowing violation of the law, (c) a transaction from which the Director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the Director's office, or (d) an act or omission for which the liability of a Director is expressly provided by an applicable statute. The foregoing elimination of liability to the Corporation shall not be deemed exclusive of any other rights, limitations of liability or indemnity to which a director may be entitled under any other provision of the Articles.

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or By-Laws of the Corporation, contract or agreement, vote of directors, principle of law or otherwise Any repeal or amendment of this Article shall be prospective only, and shall not adversely affect any limitation on the personal liability of a Director of the Corporation existing at the time of such repeal or amendment In addition to the circumstances in which a Director of the Corporation is not personally liable as set forth in the foregoing provisions of this Article, the liability of a Director shall be eliminated to the full extent permitted by any amendment to the Texas Miscellaneous Corporation Laws Act or the Texas Non-Profit Corporation Act hereafter enacted that further eliminates or permits the elimination of the liability of a Director

#### **XIV. INDEMNIFICATION**

The Corporation shall indemnify any person who was, is, or is threatened to be made a named defendant or respondent in a proceeding (as subsequently defined) because the person (a) is or was a director or officer of the Corporation, or (b) while a director or officer of the Corporation, is or was serving at the request of the Corporation as a trustee, officer, partner, venturer, proprietor, director, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against all expenses (other than taxes, penalties, judgments, settlements, or expenses of correction), including attorneys' fees, to the fullest extent that a corporation may grant indemnification to a director under the Texas Non-Profit Corporation Act, as the same exists or may hereafter be amended. Such right shall be a contract right and shall include the right to be paid by the Corporation expenses incurred in defending any such proceeding in advance of its final disposition to the maximum extent permitted under the Texas Non-Profit Corporation Act, as the same exists or may hereafter be amended. If a claim for indemnification or advancement of expenses hereunder is not paid in full by the Corporation within ninety (90) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, the claimant shall be entitled to also be paid the expenses of prosecuting such claim It shall be a defense to any such action that such indemnification or advancement of costs of defense is not permitted under the Texas Non-Profit Corporation Act, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors or any committee thereof or special legal counsel) to have made its determination prior to the commencement of such action that indemnification of, or advancement of costs of defense to, the claimant is permissible in the circumstances nor an actual determination by the Corporation (including its Board of Directors or any committee thereof or special legal counsel) that such indemnification or advancement is not permissible shall be a defense to the action or create a presumption that such indemnification or advancement is not permissible In the event of the death of any person having a right of indemnification under the foregoing provisions, such right shall inure to the benefit of such person's heirs, executors, administrators, and personal representatives. The rights conferred above shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, By-Law, resolution of directors, agreement or otherwise To the extent permitted by then applicable law, the grant of mandatory indemnification to any person pursuant to this Article shall extend to proceedings involving the negligence of such person The Corporation may additionally indemnify

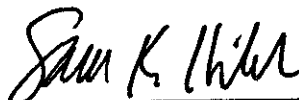
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any person covered by the grant of mandatory indemnification contained in this Article to such further extent as is permitted by law and may indemnify any other person to the fullest extent permitted by law. The Corporation may purchase and maintain insurance or a similar arrangement (including, but not limited to, a trust fund, self-insurance, a security interest or lien on the assets of the Corporation, or a letter of credit, guaranty or surety arrangement) on behalf of any person who is serving the Corporation (or another entity at the request of the Corporation) against any liability asserted against such person and incurred by such person in such a capacity or arising out of status as such a person, whether or not the Corporation would have the power to indemnify such person against that liability under this Article or by statute. Notwithstanding the other provisions of this Article, the Corporation may not indemnify or maintain insurance or a similar arrangement on behalf of any person if such indemnification or maintenance of insurance or similar arrangement would subject the Corporation to income or excise tax under the Internal Revenue Code.

**XV.  
CONSTRUCTION**

All references in these Articles to statutes, regulations, or other sources of legal authority refer to the authorities cited, or the successors, as they may be amended from time to time

I, the undersigned, being the sole Incorporator of this Corporation, for the purpose of forming this non-profit charitable corporation under the laws of Texas, have executed these Articles of Incorporation on this 30<sup>th</sup> day of October, 1998



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SAM K. HILDEBRAND, Incorporator

CORPORATION

