

BYLAWS
OF
SOUTH PLAINS ELECTRIC COOPERATIVE, INC.

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BYLAWS
OF
SOUTH PLAINS ELECTRIC COOPERATIVE, INC.

as Amended August 15, 2003

ARTICLE I
MEMBERSHIP

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

SECTION 1.02 - Application for Membership: Renewal of Prior Application - Application for membership wherein the applicant shall agree orally or in writing to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperative's Articles of Incorporation and Bylaws, and all rules, regulations and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called "membership obligations")-shall be made by oral request or in writing on such form as is provided therefor by the Cooperative. If this application for service is by oral request, the Cooperative shall deliver or mail to the applicant a written application for service and for membership in the Cooperative for execution and return to the Cooperative. In the event the applicant fails to execute and return the written application for service and any other service related deposit or fee within two (2) weeks of receiving service, his membership may be terminated by the Cooperative and his service disconnected after ten (10) days written notice. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor by the Cooperative. The membership application shall be accompanied by any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative, which service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any, shall be refunded in the event the application is not approved. Any former member of the Cooperative may, by the sole act of paying any outstanding account plus accrued interest thereon at the State legal rate on judgments in effect when such account first became overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

(Amended 8/19/88)

SECTION 1.03 - Service Security And Facilities Deposits: Contribution In Aid Of Construction - The service security deposit, or service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Cooperative, shall entitle the member to electric service. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid of construction, if required by the Cooperative), shall be paid by the member for each additional service connection requested by him. Any fee, deposit or contribution required to initiate service shall be paid in the time period specified by the Cooperative.

(Amended 8/19/88)

SECTION 1.04 - Joint Membership - A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1.01, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

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

SECTION 1.05 - Acceptance into Membership - Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electric service; provided, that the Board of Directors may, by resolution, deny application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application shall be rejected for other good cause: PROVIDED, that any person whose application, for sixty (60) days or longer, has been submitted to but not approved by the Board of Directors, may, by filing written request therefor with the Cooperative at least three (3) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

(Amended 5/20/88)

SECTION 1.06 - Purchase Of Electric Power And Energy; Power Production By Member: Application Of Payments To All Accounts - The Cooperative shall use its best efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not

guarantee a continuous and uninterrupted supply thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefor at the times, and in accordance with the rules, regulations, and rate schedules (including any monthly minimum amount they may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment for service to him by the Cooperative shall be deemed to be allocated and credited to his outstanding accounts for all such service connections notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation.

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

SECTION 1.08 - Wiring Of Premises: Responsibility Therefore: Responsibility For Meter Tampering Or Bypassing And For Damage To Cooperative Properties: Extent of Cooperative Responsibility: Indemnification - Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the National Electric Safety Code, any applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for-and shall indemnify the Cooperative and any other person against death, injury, loss or damage resulting from any defect in or improper use or maintenance of-such premises and all wiring and apparatus connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto for all inspection, maintenance, replacement, relocation or repair thereof at all reasonable times. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and any other person against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any of

revenues resulting from the failure or defective functioning of its metering equipment. In no event shall the responsibility of the Cooperative extend beyond the point at which its service wires are attached to the meter loop provided for measuring electricity used on such premises, except in the case of standby generation serving multiple service points as specified by the Cooperative's service rules and regulations. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures.

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

SECTION 1.10 - Non-liability For Debts Of The Cooperative - The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE II

Membership Suspension And Termination And Repayment Of Fees, Dividends, And Claims

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

(Amended 1/21/94)

SECTION 2.02 - Termination By Expulsion: Renewed Membership - Upon failure of a suspended member to automatically be reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to the effect to the Cooperative at least ten (10)

days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to at least the date of his expulsion. After any finally effective expulsion of a member, he may not again become a member except upon new application therefor duly approved as provided in Section 1.05. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicants' compliance with all his membership obligations.

SECTION 2.03 - Termination By Withdrawal Or Resignation - A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors, resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished electric service pursuant to his membership or (b) except when the Board of Directors specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises. The membership of a member who for a period of six months after service is available to him and not purchases electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the Board.

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

SECTION 2.05 - Effect Of Termination - Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee (and to his service security deposit, if any) theretofore paid neither he nor his estate, nor any former partner of a partnership member or his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 2.01 and 2.02, such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from his membership obligation as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service had theretofore been furnished by the Cooperative pursuant to such membership.

SECTION 2.06 - Repayment Of Undeliverable Fees, Dividends, And Claims - A claim for money against the corporation shall be subject to the provisions of this section whenever the corporation is ready, willing and able to pay such claim, and has paid or is paying generally claims arising under similar circumstances, but payment of such claims cannot be made for the reason that

the corporation does not know the whereabouts or mailing address of the one to whom it is payable, or does not know who is entitled to payment. A claim shall include all refunds of membership dues, capital account distributions, dividends, dissolution distributions, and any and all payments made or to be made to persons which may be based on patronage.

It shall be the obligation of every patron of the cooperation at all times to keep the corporation correctly informed concerning his whereabouts or correct mailing address in order that he might receive any sum or sums due by the corporation to him of any account without delay, and it shall be the obligation of all patrons and claimants to keep the corporation advised as to who is entitled to receive claims in the event of death, dissolution or change of ownership or patronage. No trust or fiduciary relationship shall exist between the corporation and its patrons concerning any unclaimed funds due by the corporation to any patron on account, but the relationship of debtor-creditor shall at all times exist between the corporation, as the debtor, and the patron, as the creditor, concerning such unclaimed funds. This same debtor-creditor relationship shall exist between the corporation and any person concerning any claim arising out of any business between the corporation and any patron. Upon the retirement of any accounts, deposits, book credits of the corporation or upon the declaring of any patronage refunds or disbursements of any money or property of any nature to the patrons or members or upon the attempted payment of any sum of money to any patron or to any person or account of business done with the patron, the corporation acknowledged its indebtedness to the person entitled to receive such sums or property to the same extent as if it had on that date issues and delivered to such person its written promise to pay such persons the amount or value due on demand and the rights of any person entitled to receive such sums shall be limited to the same extent as if that person accepted such written promise of the corporation as payment of the amount due. If payment of such claim cannot be made for the reasons indicated above or for any other cause beyond the control of the corporation, the corporation shall continue to be liable for the amount thereof without interest until the four year statute of limitations has run against such claim. The statute of limitations shall commence to run on the date of the retirement of such account, deposit or book credit or on the date the corporation declares the refund or disbursement of money or property as payable or distributable or attempts to make payment of distribution to any such persons as conclusively shown by the books and records of the corporation. The corporation shall, after it has held such funds for a period of four (4) years, send by certified or registered mail with return receipt requested a written notice addressed to the person appearing on the records of the corporation to be entitled to such funds or property at the last address of such person as shown on the records of the corporation for such person to claim such funds within a thirty (30) day period. If the person entitled to receive such sums within the thirty (30) day period from the date such letter is mailed or if no claimant established his right to the satisfaction of the corporation to receive such sums within such thirty (30) day period, the corporation shall be at expiration of such thirty (30) day period no longer be liable for the payment of such claim and such claim in its entirety shall be extinguished, and the corporation shall treat all such sums as incidental receipts of money, and the amount involved shall at that time be allocated to payment of operating expenses of the corporation.

SECTION 2.07 - Effect Of Death, Legal Separation Or Divorce Upon A Joint Membership

- Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the estate of the deceased shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such

membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the other spouse shall not be released from debts due the Cooperative.

SECTION 2.08 - Board Acknowledgment Of Membership Termination: Acceptance Of Members Retroactively - Upon the termination of a person's membership for any reason, the Board of Directors, so soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for and the Board of Directors approves, membership retroactively to the date on which such persons first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly. Such person shall have an opportunity to be heard, at a meeting of the Board, in person or by counsel.

ARTICLE III Meeting Of Members

SECTION 3.01-Annual Meeting-For the purpose of electing Directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held during the month of September of each year, at such place within the county of Lubbock in the State of Texas, and beginning at such hour, as the Board of Directors shall from year to year fix: PROVIDED, that, for cause sufficient to it, the Board of Directors may fix a different date for such annual meeting not more than thirty (30) days prior or subsequent to the day otherwise established for such meeting in this Section. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02 - Special Meetings - A special meeting of the members may be called by the President, the Board of Directors or by any three (3) directors or by petition signed by not less than ten percent (10%) of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 3.03. Such a meeting shall be held at such place in one of the counties in Texas within which the Cooperative serves, on such date, not sooner than forty (40) days after the call for such meeting is made or a petition therefor is filed, and beginning at such hour and on such day of the week as customary for holding the annual membership meeting.

SECTION 3.03 - Notice Of Member Meetings - Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business required special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than (10) days nor more than thirty (30) days prior to the date of the meeting, by any reasonable means, by the Secretary. Reasonable means of providing such notice shall include but not be limited to United States mail, personal delivery, and Cooperative's periodic

newsletter, or member service billings. Notice of the membership meeting shall contain the purpose or purposes for which the meeting is called. 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 and, whether mailed first-class or not, postmarked at least ten (10) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and unintentional failure of any member to receive such notice shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the secretary prior to or at the beginning of the meeting of his objection.

SECTION 3.04 – Quorum - Twenty per centum (20%) of the total number of all members of the Cooperative present in person constitute a quorum for the transaction of business at all meetings of the members so long as the total number of members does not exceed three hundred (300). In case the total number of members exceeds three hundred (300), then in such case seventy-five (75) members present in person shall constitute a quorum for the transaction of business at all meetings of members.

SECTION 3.05 – Voting - Each member who is not in a status of suspension, as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to, or upon registration at, each member meeting of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these bylaws. Members may not cumulate their votes or vote by proxy or mail, unless otherwise specifically required by law.

(Amended 10/18/96)

SECTION 3.06 - Order Of Business - The order of business at the annual meeting of the members, and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows:

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

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

SECTION 3.07 - Credentials And Election Committee - The Board of Directors shall, at least ten (10) days before any meeting of the members where an election will be held, appoint a Credentials and Election Committee consisting of no less than three (3) nor more than five (5) members, who are not existing Cooperative officers, Directors, or known candidates for Directors, and who are not close relatives (as hereinafter defined) or members of the same household of Cooperative officers, existing Directors or known candidates for Directors. The Committee shall elect its own chairman and secretary. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of ballots or other vote irregularity or indecisively marked or cast, to rule upon all other questions that may arise relating to members voting and the election of Directors (including but not limited to the validity of petitions of nominations or the qualifications of candidates and the regularity of the nomination and election of Directors), and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during or within three (3) business days following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, which may be either to affirm or change the results of the election or to set aside such election. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final. Without limiting the foregoing duties and prerogatives of the Committee, on request of the person presiding at the meeting of the members or on the request of any member entitled to vote thereat, such Committee shall make a report in writing or any challenge, question, count, or matter determined by the Committee and execute a certificate of any fact found by them. Any such report or certificate made by the Committee, shall be prima-facie evidence of the facts stated and of the vote as certified by the Committee. Any Committee member who is a close relative of any candidate for Director shall refrain from participating in any deliberation or vote of the Committee concerning such candidate.

(Amended 8/15/03)

ARTICLE IV

Directors

SECTION 4.01 - Number And General Powers - The business and affairs of the Cooperative shall be managed by a Board of twelve (12) Directors. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation or Bylaws conferred upon or reserved to the members.
(Amended 3/23/01)

SECTION 4.02 - Qualifications - No person shall be eligible to become or remain a Director of the Cooperative who is a close relative of an incumbent Director or of an employee of the Cooperative, or is not a member of the Cooperative, in good standing as described in Article II, Section 2.01 hereof, and receiving service within the District he is elected to represent: PROVIDED, that the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or his designee, shall be eligible to become a Director, from the Director district in which such member is located, if (1) he or such designee is in substantial permanent occupancy, and (2) is a permanent and year-round resident within or in close proximity to an area served by the Cooperative. No person shall be eligible to become or remain a Director of, or to hold any other position of trust in the Cooperative who is in any way employed by or financially interested in a competing enterprise, or a business selling electrical or plumbing appliances, fixtures or supplies to, among others, the members of the Cooperative. Upon establishment of the fact that a nominee for a Director lacks eligibility under this Section or as may be provided elsewhere in these bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a Directorship or other position of trust in the Cooperative lacks eligibility under this section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, as the case may be. Nothing contained in this section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors unless such action is taken with respect to a matter which is affected by the provisions of this section and in which one or more of the Directors have an interest adverse to that of the Cooperative.

SECTION 4.03 - Tenure- Directors shall be so nominated and elected that one Director from each of the Director Districts shall be elected for three-year terms at an annual membership meeting. Director's terms shall be staggered so that the terms of four Directors shall expire annually. Upon their election, Directors shall, subject to the provisions of these bylaws with respect to the removal of Directors, serve until the annual meeting of the members of the year in which their terms expire or until their successor shall have been elected and shall have qualified. If for any reason an election of Directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at any adjournment of such meeting or at a subsequently held special meeting or at the next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose Directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.
(Amended 3/23/01)

SECTION 4.04 - Director Districts - The territory served by the Cooperative shall be divided into twelve (12) Director Districts, each of which shall contain approximately the same number of members. Each district shall be represented by one Director. The twelve (12) Districts shall be as follows:

SOUTH PLAINS DIVISION

- District 1** – All of the service area within Hale County and Lamb County; that portion of Hockley County lying north of U.S. Highway 84; and that portion of northwest Lubbock County that lies north of Farm Road 1729 between County Road 15 on the west and Interstate Highway 27 on the east; and that portion of Lubbock County that lies between County Road 15 on the east, the Hockey County line on the west, and north of County Road 53, same being the boundary between the Shallowater and Abernathy school districts extending east to west three (3) miles south of the County Line community.
- District 2** – That portion of the service area in northwest Lubbock County lying west of Interstate Highway 27, north of the Levelland Highway (State Highway 114 or 19th Street), and south of Farm Road 1729; plus that portion of the Shallowater School District lying north of Farm Road 1729 that is bounded on the east by County Road 15, on the west by the Hockey County line and on the north by County Road 53, which is the boundary between the Shallowater and Abernathy school districts extending east to west three(3) miles south of the County Line community.
- District 3** – That portion of the serve area in northeast Lubbock County lying east of Interstate Highway 27 and East Loop 289, north of the Acuff Highway (F.M. 40), and west of Farm Road 400 as it traverses Lubbock County from north to south.
- District 4** – All of the service area in Crosby County, Floyd County, and Garza County plus that portion of eastern Lubbock County lying east of Farm Road 400, north of the Acuff Highway (F.M. 40) from Farm Road 400 to Midway Road, and east of Midway Road as it extends from Acuff Road (F.M. 40) south to the City of Slaton and U.S. Highway 84; and that portion of Lynn County that lies east of U.S. Highway 84.
- District 5** – All of the service are in Hockey County lying south of U.S. Highway 84 and that portion of southwest Lubbock County lying south of the Levelland Highway (State 114 or 19th St.) and north of the Brown field Highway (U.S. 62-82), and that additional portion of the service area in Lubbock County that lies west of Farm Road 179 as it extends to the south from the City of Wolfforth to the Lynn County line.
- District 6** – That portion of the service area in south Lubbock County and Lynn County bounded on the west by Slide Road (Farm Road 1730), on the east by the Slaton Highway (U.S. Highway 84), and on the north by the service area boundary that parallels 82nd Street in south Lubbock.
- District 7** – That portion of the service area east of the City of Lubbock in southeast Lubbock County lying east of Loop 289, south of the Acuff Highway (F.M. 40), north of the Slaton Highway (U.S. 84), and west of Midway Road as it extends south from the Acuff Highway to the City of Slaton.
- District 8** – That portion of the service area in southwest Lubbock County bounded on the west by the Brownfield Highway (U.S. 62-82) from the City of Lubbock to the City of Wolfforth and Farm Road 179 as it extends south from the City of Wolfforth; on the east by Slide Road; and on the north by the service area boundary line that generally parallels 82nd Street from Milwaukee Avenue to Slide Road; and that portion of the

service area in Lynn County from Farm Road 179 on the west to Slide Road on the east.

DICKENS DIVISION

District 9 – is all the area served in Kent County, Crosby County, Garza County, and that portion South and West of Highway 70 and FM Road 836 in Dickens County.

District 10 – is all the area served in Stonewall County, King County, Motley County, and all of Dickens County that is North and East of Highway 70 and that portion of Dickens County that is West of Highway 70 and North of FM Road 836.

GATE CITY DIVISION

District 11 – is all the area served west of the vertical line that begins in North Childress County at the intersection of Buck Creek and the Harmon, Oklahoma, County line; south to the Red River; west along the Red River to the point north of the Childress County Road 19 and Childress County Road P intersection; south to said intersection then continuing south on Childress County Road 19 to Texas Farm Road 2884; south on Texas Farm Road 2884 to Texas Farm Road 268; south from said intersection on Childress County Road 17 to U.S. Highway 287; west on Highway 287 to U.S. Highway 62/83 in Childress; south on Highway 62/83 to the King County line; then east to the service area boundary line; then south to the south service area line.

District 12 – is all the area served east of the vertical line that begins in North Childress County at the intersection of Buck Creek and the Harmon, Oklahoma, County line; south to the Red River; west along the Red River to the point north of the Childress County Road 19 and Childress County Road P intersection; south to said intersection then continuing south on Childress County Road 19 to Texas Farm Road 2884; south on Texas Farm Road 2884 to Texas Farm Road 268; south from said intersection on Childress County Road 17 to U.S. Highway 287; west on Highway 287 to U.S. Highway 62/83 in Childress; south on Highway 62/83 to the King County line; then east to the service area boundary line; then south to the south service area line.

(Amended 3/23/01)

SECTION 4.05 - Voting For Directors -

(a) Nominating Committee: It shall be the duty of the Board of Directors to appoint, in a sufficient time before the date of a meeting of the members at which directors are to be elected, a committee on nominations for each district wherein a directorship is being elected. Each committee shall consist of not less than three (3) nor more than five (5) members, with such members being in good standing and holding at least one active meter in the district for which they will be serving as a nominating committee member. No officer, member of the Board of Directors or employee of the Cooperative shall be appointed a member of such committee. The committees shall seek individuals for election to the Board of Directors of the Cooperative who are members in good standing and have an active meter in the district for which a nomination is being sought. The persons nominated must be willing to promote

and safeguard the interests of the Cooperative and must represent the entire membership on an impartial basis. Willingness to attend both regular and special meetings of the Board of Directors, national, state, and other meetings that further the Cooperative movement and training programs which provide information which affects the Cooperative is essential. The committees shall prepare and post at the principal office of the Cooperative at least thirty (30) days before the meeting at which an election will be held, a list of at least one, but no more than two (2) nominees for directors for each district.

- (b) **Nomination by Petition**: Any thirty (30) or more members, each of whom must have an active meter in the district for which a nomination is being sought by petition, acting together may make other nominations by written petition by a deadline date as established and noticed by the Board of Directors and prior to the meeting. The secretary shall post such nominations at the same place where the list of nominations made by the committee are posted.
- (c) **Notice**: The secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. No nominations from the floor shall be accepted.
- (d) **Division Meetings**: The Board, in its discretion, may cause to be held division meetings wherein the candidates for director positions within that division, as submitted by the nominating committee or petition, shall be voted upon by the members living within that division. No nominations from the floor shall be accepted at such meeting. The candidates receiving the plurality of votes for each director position shall serve as the nominee for such position at the annual meeting.
- (e) **Election**: The election of directors at the annual meeting shall be by ballot, and each member shall have the right to vote for each of the directors to be elected at such election; each member having the right to cast only one vote for each director elected. The ballot to be used at the election shall list the names of the candidates previously nominated. The candidate receiving a plurality of votes cast for the directorship to be elected, shall be declared to be the duly elected director representing that district for the term specified. In the event any candidate does not receive a plurality of the votes cast, then the two candidates for the directorship receiving the highest number of votes shall be again voted upon, and the one receiving the highest number of votes shall be declared to be the duly elected director of such district. If, after the second ballot, no nominee is elected, such election shall be decided by lot. In the event only one nominee is nominated for Director, such nominee may be elected by acclamation by the members.

(Amended 3/23/01)

SECTION 4.06 - Removal Of Directors By Members - Any member may bring one or more charges "for cause" against any one or more directors and may request that removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten percent (10%) of the total membership of the Cooperative, which petition calls for a special member meeting, the state purpose of which shall be to hear and act on such charges and, if one or more directors are recalled, to elect their successor(s) and specifies the place, time and date thereof not less than forty (40) days after filing of such petition, or which

requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forefront thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is(are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings.

Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon: PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses by counsel or by combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor: PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

SECTION 4.07 - Vacancies - Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A director thus elected shall serve until the next annual meeting of the members and until a successor is elected and qualified: PROVIDED, that such a director shall be from or with respect to the same Directorate District as was the director whose office was vacated.

SECTION 4.08 - Compensation: Expenses: Indemnification - For their attendance at meetings of the Board of Directors, Directors shall on a per diem basis, receive such fee, which may include insurance benefits, as is fixed by resolution of the Board of Directors. For the performance of their duties, including conferences, training programs and other meetings, Directors shall also receive advancement or reimbursement incurred, in accordance with the Cooperative's established policies covering such. No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a Director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the unanimous vote of the remaining Directors upon their certification of such as an emergency measure: PROVIDED, that a Director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be

compensated in such amount as shall be fixed and authorized in advance of such service by the unanimous vote of the remaining Directors.

SECTION 4.09 - Rules, Regulations, Rate Schedules And Contracts - The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in-aid-of-construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 4.10 - Accounting System And Reports - The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

SECTION 4.11 - Close Relative Defined - As used in these Bylaws, "close relative" means a person who, by blood or in law, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

ARTICLE V Meetings Of Directors

SECTION 5.01 - Regular Meetings - A regular meeting of the Board of Directors shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at the Cooperative within the State of Texas as the Board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice: PROVIDED, that any Director absent from any meeting of the Board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination of change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER that, by policy established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon at least five (5) days notice thereof to all Directors.

SECTION 5.02 - Special Meetings - Special meetings of the Board of Directors may be called by Board resolution, 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 in Section 5.03. The Board, the President or the Directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties served by the Cooperative in the State of Texas unless all Directors consent to its being held in some other place in that state or elsewhere.

SECTION 5.03 - Notice Of Directors Meeting - Written notice of the date, time, place and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each Director not less than five (5) days prior thereto, either personally, by facsimile telephone transmission, or by mail, by or at the direction of the Secretary or, upon a default in duty by the Secretary, by him or those calling it in the case of a special meeting or by any other Director or officer in the case of any meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. Then attendance of a Director at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

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

(Amended 1/21/94)

ARTICLE VI
Officers: Miscellaneous

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

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

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

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

SECTION 6.05 - President - The President shall –

- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the Board of Directors, and, unless determined otherwise by the Board of Directors, at all meetings of the members;
- (b) sign, with the Secretary, 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 these Bylaws to some other officer or agent 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 from time to time.

SECTION 6.06-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 and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.07 - Secretary - The Secretary shall-

- (a) keep, or cause to be kept, the minutes of the meetings of the members and of the Board of Directors in books provided for that purpose;
- (b) see 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 see that the seal of the Cooperative is affixed 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 or is required by law;
- (d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the Cooperative by such member;
- (e) have general charge of the books of the Cooperative in which a record of the members is kept;
- (f) keep on file at all times a complete copy of the Cooperative's Articles of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and
- (g) in general, perform all duties incident to the office of the secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.08 - Treasurer - The Treasurer shall-

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperatives;
- (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or securities as shall be selected in accordance with the provisions of these Bylaws; and
- (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.09 - Delegation of Secretary's and Treasurer's Responsibilities -

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

SECTION 6.10 - General Manager: Executive Vice President - The Board of Directors may

appoint a General Manager, who may be, but who shall not be required to be a member of the Cooperative, and who also may be designated Executive Vice President. Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may, from time to time, vest in him.

SECTION 6.11 - Bonds - The Board of Directors shall require the Treasurer and any other

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

SECTION 6.12 - Compensation - The compensation, if any, of any officer, agent or employee who is also a Director or close relative of a Director shall be determined as provided in Section 4.08 of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed, or a plan therefor approved, by the Board of Directors.
(Amended 7/17/87)

SECTION 6.13 - 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, and showing the condition of the Cooperative at the close of such fiscal year.

SECTION 6.14 - Membership in Other Organizations - The Cooperative, upon an affirmative vote of 2/3'ds or more of the directors, may become a member of, or purchase stock in, any other organization or corporation organized for the purpose of engaging in or furthering the cause of rural electric service; and improving quality of life of its members, or furnishing financing or generating capital for the purpose of engaging in or furthering the cause of rural electric service; or, with the approval of the Administrator of REA, the Cooperative, upon the authorization of the Board of Directors, may purchase stock in or membership on behalf of the Cooperative, in a corporation or organization deemed necessary by the directors for the more efficient operation of the Cooperative and for providing electrical service to its members at a lessor cost.
(Amended 7/17/87)

SECTION 6.15-Indemnification of Directors, Officers, Agents and Employees-

- (a) Indemnity for Expenses and Liability.** Every director, officer, agent and employee of the Cooperative shall be indemnified by the Cooperative against all judgments, penalties, fines, liabilities, amounts paid in settlement and reasonable expenses, including counsel fees actually incurred by or imposed upon him or her in connection with any proceeding to which he or she was, is or is threatened to be made a party, or in which he or she may become involved, by reason, in whole or in part, of being or having been a director, officer, agent or employee of the Cooperative, whether or not he or she is a director, officer, agent or employee at the time such expenses are incurred, to the maximum extent consistent with the provisions of Article 1528b, Sec. 19A, Electric Cooperative Corporation Act and Article 2.22A of the Texas Non-Profit Corporation Act; provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interest of the Cooperative. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director, officer, agent or employee may be entitled.
- (b) Power to Purchase Insurance.** The Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, agent or employee of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, agent or employee of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Cooperative would have the power to indemnify him against such liability under the provision of this Article.
- (c) Continuing Offer, Reliance.** The provisions of this Article are for the benefit of, and may be enforced by, each director, officer, agent or employee of the Cooperative as a contract for

valuable consideration and constitute a continuing offer to all present and future directors, officers, agents and employees of the Cooperative. The Cooperative, by the adoption of this Article agrees that each present and future director, officer, agent and employee of the Cooperative has relied upon and will continue to rely upon the provisions of this Article in accepting, serving or continuing to serve as a director, officer, agent or employee.

(d) Effect of Amendment. No amendment, modification or repeal of this Article VI, Section 6.15, or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future director, officer, agent or employee of the Cooperative to be indemnified by the Cooperative, nor the obligation of the Cooperative to indemnify any such director, officer, agent or employee, under and in accordance with the provisions of the Article as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(Amended 7/17/87)

ARTICLE VII

Contracts, Checks and Deposits

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

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

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

ARTICLE VIII

Membership Certificates

SECTION 8.01 - Certificate of Membership - Membership in the Cooperative shall be evidenced by a certificate of membership, 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 Cooperative's Articles of Incorporation or its Bylaws. Such certificate shall be signed by the President and by the Secretary, and the seal shall be affixed thereto: PROVIDED, that the seal and the signatures of the President and the Secretary may be imprinted thereon by facsimile.

SECTION 8.02 - Issue of Membership Certificates - No membership certificate shall be issued by the Board of Directors until all required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

SECTION 8.03 - Lost Certificate - In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE IX Non-Profit Operation

SECTION 9.01 - Interest or Dividends on Capital Prohibited - The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 9.02 - Patronage Capital in Connection With Furnishing Electric Energy - In the furnishing of electric energy the Cooperatives' 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 nonprofit 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 electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amount 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 in an appropriate record to the capital account of each member, and the cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to his account: PROVIDED, that individual notices of such amount furnished by each member shall not be required if the Cooperative notifies all members of the aggregate amount of such excess and provides a clear explanation of how each member may compute and determine for himself the specific amount of capital so credited to him. 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 its operations in excess of costs and expenses shall, insofar as permitted by law be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its 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 returned 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 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. Any such retirements of capital furnished prior to December 31, 1987, shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired. After

December 31, 1987, the Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts thereafter furnished as capital. PROVIDED, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply or other service or supply portion") of capital credited to the accounts of members which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service or any other service or supply to the Cooperative.

Such rules shall (a) establish a method for determining the portion of such capital credited to each member for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's members, (c) provide for appropriate notifications to members with respect to such portions of capital credited to their accounts and (d) preclude a general retirement of such portions of capital credited to members for any fiscal year prior to the general retirement of other capital credited to members for the same year or of any capital credited to members for any prior fiscal year.

Capital credited to the account of each member shall be assignable only on the books of the Cooperative (a) pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such member's premises served by the Cooperative, unless the Board of Directors, acting under policies of general application, shall determine otherwise and (b) pursuant to the written order of any bankruptcy court or referee in bankruptcy and shall be assignable only to the person, partnership, firm or corporation purchasing such capital credits for value from a bankrupt member's estate under the provisions of the Bankruptcy Act of the United States.

Notwithstanding any other provisions of these Bylaws, the Board of Directors shall at its discretion have the power at any time upon the death of any patron who was a natural person (or, if as so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representatives of his estate shall request in writing that the capital so credit or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under the provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon: PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby. Further, the Board of Directors shall have the power at its discretion to retire all capital credits allocated to a former member upon the books of the Cooperative in an amount not to exceed \$25.00, provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The Cooperative, before retiring any capital credit to any member's account, shall deduct therefrom any amount owing by such member to the Cooperative, together with interest thereon at the Texas legal rate on judgments in effect when such amount first became overdue, compounded annually. This provision shall apply to all refunds of capital credits.

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 9.03 - Patronage Refunds in Connection with Furnishing Other Services - In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amount received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be prorated annually on a patronage basis and returned to those members from whom such amounts were obtained at such time and in such order or priority as the Board of Directors shall determine.

ARTICLE X Waiver of Notice

Any member or Director may waive, in writing, any notice of meetings to be given by these bylaws.

**ARTICLE XI Disposition and Pledging of Property:
Distribution of Surplus Assets on Dissolution**

SECTION 11.01 - Disposition and Pledging of Property –

- (a) The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two thirds of all the members of the Cooperative, and unless the encumbrance shall have been contained in the notice of the meeting: PROVIDED, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and whatsoever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative, and: PROVIDED FURTHER, that the Board may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign Corporation doing business in this state pursuant to the Act under which this Cooperative is incorporated. "Substantial portion," as used in this Section, means ten per centum (10%) or more of the fair market value of the cooperative's total properties and assets.
- (b) Not in conflict with, or in lieu of, but rather as supplementary to the foregoing subsection (a), the following procedures shall be followed in authorizing a sale, lease, lease-sale, exchange or other disposition of all or a substantial portion of the Cooperative's properties and assets:
- (1) Before allowing any plan or proposal therefor to be submitted to the members, the Board of Directors shall cause three (3) independent appraisers, expert in such matters, to be appointed to render their individual opinions as to the fair market value of the Cooperative's assets and properties, including its good will and going business value, and as to any other terms and conditions which, in their respective judgments should be considered. The Board of Directors after receiving such appraisals and other terms and conditions which are recommended, if any), shall then give every other electric cooperative (which has not submitted such a plan or proposal) an opportunity to submit competing plans or proposals. Such opportunity shall be in the form of a written notice to such electric cooperatives, which notice shall attach a copy of the initial plan or proposal being then considered and a copy of the reports of the three (3) appraisers. Such electric cooperatives shall be given not less than thirty (30) days within which to submit competing plans or proposals, and the actual minimum period within which plans or proposals are to be submitted shall be stated in the written notice given to them.
 - (2) Any two hundred (200) or more members, by so petitioning the Board not less than fifteen (15) days before the date of the special or annual member meeting at which such a plan or proposal will be considered, may cause the

Cooperative, which the cost to be borne by the Cooperative, to mail to all other members, at least seven (7) days prior to such member meeting, any opposing positions or alternative plans or proposals which the petitioners may have.

The provisions of this subsection (b) shall not apply to the sale, lease, lease-sale, exchange or other disposition to one or more other electric cooperatives if the actual legal effect thereof is to merge or consolidate with such other one or more electric cooperatives.

SECTION 11.02 - Distribution of Surplus Assets on Dissolution - Except if and to the extent in conflict with the Texas law providing for the dissolution of private corporations, upon the Cooperative's dissolution any assets remaining after all of the Cooperative's liabilities and obligations, including outstanding capital credits, have been satisfied or discharged or a plan therefor appropriately established, shall to the extent practicable as determined by the Board of Directors, be distributed without priority amount all persons who are or who have been patrons of the cooperative during the last ten years preceding the date of the filing of the certificate, on the basis that their respective patronage during such periods bears to the total receipts of the Cooperative during the ten-year period as may be determined by the Board of Directors: PROVIDED that, before making such distribution, if any gain is realized upon dissolution from the sale of any appreciated asset, such gain shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during the period, insofar as is practicable as determined by the Board of Directors; AND PROVIDED FURTHER, however, that if in the judgment of the Board the amount of such surplus is too small to justify the expense of making any distribution whatever, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

ARTICLE XII

Fiscal Year

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

ARTICLE XIII

Rules of Order

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

ARTICLE XIV

Seal

The corporate seal of the Cooperative shall be in a form prescribed by the Board and shall have inscribed thereon the name of the Cooperative and the words "corporate seal," and "Texas."

ARTICLE XV
Amendments

STATEMENT OF NONDISCRIMINATION

In the event that South Plains Electric Cooperative, Inc. is the recipient of Federal financial assistance from the Rural Utility Services, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended and the rules and regulations of the U.S. Department of Agriculture which provide that no person in the United States on the basis of race, color, national origin, age or handicap shall be excluded from participation, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is James Driver, General Manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization; or the Secretary, U.S. Department of Agriculture, Washington, D.C. 20250; or the Administrator, Rural Utility Services, Washington, D.C. 20250. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

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