

**Amended and Restated Bylaws
of
Denton County Electric Cooperative, Inc.,
d/b/a CoServ Electric**

**Article I
Membership**

SECTION 1.1. Requirements for Membership. Any Person (defined below) with the capacity to enter into legally binding contracts will become a member of Denton County Electric Cooperative, Inc., d/b/a CoServ Electric (hereinafter called the “Cooperative”) upon receipt of electric service from the Cooperative, provided that she, he or it has first:

- (a) If required, made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (c) Agreed to comply with and be bound by the articles of incorporation (as amended from time to time, the “Articles”) and bylaws (as amended from time to time, the “Bylaws”) of the Cooperative, and the other Governing Documents (defined below);
- (d) Satisfied the requirements for membership in the Cooperative under the Law (defined below) and the Governing Documents; and
- (e) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except for surrender as provided in Section 1.8 of these Bylaws.

SECTION 1.2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the board of directors of the Cooperative (the “Board”). Such certificate shall be signed by the president of the Board (the “President”) and by the secretary of the Board (the “Secretary”) and the corporate seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefor upon such terms and indemnity to the Cooperative as the Board may prescribe.

SECTION 1.3. Joint Membership. Natural persons that are legally married or otherwise joined in a legally-recognized marriage relationship are joint members, subject to their compliance with the requirements set forth in Section 1.1 of this Article. A certificate issued in the name of

one includes the other. The term “member” as used in these Bylaws shall be deemed to include natural persons that are legally married or otherwise joined in a legally-recognized marriage relationship 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 be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership; and
- (g) Either but not both may be elected as a director, or elected or appointed as an officer, of the Cooperative, provided that the one so elected or appointed meets the qualifications for such office.

SECTION 1.4. Persons Entitled to Membership. Any Person, otherwise meeting the requirements for membership, that desires to purchase electric energy for delivery to any point in a rural area or any incorporated or unincorporated city or town, rural or non-rural, served by the Cooperative and in which no central station service was available at the time the Cooperative began furnishing electric energy to the citizens thereof, may become a member of the Cooperative.

SECTION 1.5. Membership Fees. The membership fee in the Cooperative shall be set by the Board.

SECTION 1.6. Extension Service. Extension service is defined as an extension of distribution lines for a distance greater than the distance for which an extension will be made without the payment of an additional fee or contribution to the cost of construction.

SECTION 1.7. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in the member’s account, and shall pay therefor at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed as shall be fixed by the Board from time to time. Each member shall also pay all amounts owed by such member to the Cooperative as and when the same shall become due and payable.

SECTION 1.8. Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds of all the directors, expel any member who (i) fails to comply with any of the provisions of the Governing Documents, but only if such member shall have been given written notice by the Cooperative that such failure makes such member liable to expulsion and, if such failure is curable, such member does not cure such failure within ten (10) days after such notice was given, or (ii) breaches or violates any other written agreement or understanding between the member or any of that member's affiliates or (if that member is an individual) any of that member's Close Relatives (defined below), on the one hand, and the Cooperative or any of its affiliates, on the other hand, and, if such breach or violation is curable, fails to cure such breach or violation within any cure period provided in such written agreement or understanding. In these Bylaws, an "affiliate" of any Person is another Person controlling, controlled by, or under common control with the first Person; and for this purpose, "control" (and any of its derivative terms) means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting.
- (b) The membership of a member who, for a period of six (6) consecutive months during which service is available to such member, has not purchased electric energy from the Cooperative, may be canceled, and such member expelled, by resolution of the Board.
- (c) Upon the death, withdrawal, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative or may be cancelled by resolution of the Board; provided, however, that the foregoing provisions of this Section 1.8(c) shall not be construed as terminating the membership of the other person in a joint membership with any deceased, withdrawn or expelled member, unless the Board also determines (in the case of a withdrawal or expulsion) that the membership of such other person is also terminated. If the membership of the other person in a joint membership with the deceased, withdrawn or expelled member is continuing and if the membership certificate is in the name of the other person, then no action need be taken regarding that certificate; but if the membership certificate is in the name of the deceased, withdrawn or expelled member, then the Cooperative will issue a new membership certificate in the name of the other person in a joint membership with the deceased, withdrawn or expelled member. Termination of membership in any manner shall not release a member or his or her estate from liability for any debts due the Cooperative.

- (d) In case of termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by such member; provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

Article II Rights and Liabilities of Members

SECTION 2.1. Property Interest of Members. Upon the dissolution of the Cooperative, after (a) all debts and liabilities of the Cooperative shall have been paid, (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, and (c) the amount of all other equities maintained in the names of members and former members have been paid; the remaining property and assets of the Cooperative shall be distributed among the members as of the date of the filing of the certificate of dissolution in the proportion which the aggregate patronage of each bears to the total patronage of all members as of the date of filing of the certificate of dissolution, to the extent practicable as determined by the Board, unless otherwise provided by Law.

SECTION 2.2. 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 III Meetings of Members

SECTION 3.1. Annual Meeting. The annual meeting of the members shall be held on the date established by resolution adopted by the Board. The meeting shall be held at such place in a county served by the Cooperative, as may be selected by the Board. The notice of the meeting shall designate the purposes of the meeting, including, to the extent applicable, the purposes of electing directors, making reports regarding the Cooperative, and transacting such business as may come before the meeting. The notice of the annual meeting shall also designate the date, time, and place of the meeting. It shall be the responsibility of the Board to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.2. Special Meetings. Special meetings of the members may be called by resolution of the Board, by a majority of the directors, by the President, or by a petition signed by ten percent (10%) or more of all members. For a members' petition to call a special meeting to be valid and proper, each member signing the petition must date his, her, or its signature on the petition, and all signatures must be dated within sixty (60) days of the date the petition is submitted to the Board or such other Person as the Board may designate. The petition must be submitted to and reviewed by the Board or such other Person as the Board may designate, and if it is determined that the submitted petition is improper, then the submitted petition may not be corrected or supplemented, but (if the petitioning members so desire) a new petition must be made and submitted. In any case, it shall be the duty of the Secretary to cause notice of such meeting to be

given as hereinafter provided. Special meetings of the members may be held at any place within one of the counties served by the Cooperative as may be designated by the Board and shall be specified in the notice of the special meeting.

SECTION 3.3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting or an annual meeting at which business requiring special notice is to be transacted (including the transaction of any business contemplated under Section 4.9 of these Bylaws), the purpose or purposes for which the meeting is called, shall be given (in accordance with Section 11.1 of these Bylaws) or delivered (in accordance with this Section 3.3) not less than ten (10) days nor more than thirty (30) days before the date of the meeting, by or at the direction of the President or the Secretary, or upon any failure to do so by the President or the Secretary, by the Persons calling the meeting, to each member as of the Record Date (defined below) for such meeting. If mailed with first-class mail postage thereon prepaid, 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, notwithstanding anything in Section 11.1(b) of these Bylaws to the contrary. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 3.4. Quorum. Except as provided in the Articles, one percent (1%) of the Total Membership (defined below) as of the Record Date for a meeting present at the meeting in person (if voting in person is allowed at such meeting) or represented by mail ballot (if voting by mail ballot is allowed at such meeting) or (as permitted by Law) represented by ballot (or the equivalent) transmitted electronically (if voting by electronic ballot or the equivalent is allowed at such meeting) shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of the members present in person may adjourn the meeting from time to time without further notice.

SECTION 3.5. Voting.

- (a) At all meetings of members, a member as of the corresponding Record Date may vote only by mail ballot unless (i) the meeting concerns the removal of a director in accordance with Section 4.9 of these Bylaws, in which case there shall be voting in person only, or (ii) the Board determines by resolution to allow (A) voting in person or (as permitted by Law) by an electronic or other method as well as by mail ballot or (B) either or both of voting in person or (as permitted by Law) voting by an electronic or other method only. If the Board so determines, notice of the Board's determination shall be included in the notice of the meeting. The Board may also specify that any voting in person for any matter, in addition to the election of any director as provided in Section 4.8 of these Bylaws, shall be by written ballot. Voting by proxy shall not be allowed. Each member shall be entitled to only one vote on each matter submitted to a vote at a meeting of the members. Each matter submitted to a vote at a meeting shall be decided by a vote of the majority of the members present at the meeting, except as otherwise provided by Law, the Articles, or these Bylaws.

- (b) In connection with any matter of business of the Cooperative, including the election of directors, submitted to a vote at a meeting of the members where the members are required or allowed to vote by mail ballot, the Board shall cause written or printed mail ballots to be prepared and mailed to the members (as of the Record Date) for their action. Ballots so mailed shall specify the member meeting to which they correspond, list each issue or question submitted and, if directors are to be elected, list the names of person(s) nominated for directors, and each mail ballot shall contain and provide a place where the member may indicate such member's vote. Each member shall be instructed that such member's mail ballot must be received by 5:00 p.m. (local time) at the location determined by the Board or, if no such determination is made, at the Cooperative's principal office, at least five (5) days before the date of the meeting. If members are also allowed to vote in person at the member meeting to which such mail ballot corresponds, then members submitting a completed mail ballot may not vote in person at such meeting regarding any matter described in such ballot. If voting by mail, each mail ballot shall be signed and mailed or delivered by hand or courier by the member casting such ballot to the location determined by the Board or, if no such determination is made, to the Secretary of the Cooperative at the Cooperative's principal office.
- (c) If any director is to be elected at a meeting, the Board shall select or cause to be selected an election official to receive, validate and count mail ballots prior to the meeting of members, and such election official shall certify as to the accuracy of all such counts.

SECTION 3.6. Order of Business. The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be as determined by the Board.

SECTION 3.7. Record Date.

- (a) A "Record Date" is the date for determining the total number of members of the Cooperative (the "Total Membership") and the members entitled to: (1) sign a member petition, request, demand, consent, appointment, or similar document; (2) receive a ballot, notice of a member meeting, or similar document; or (3) vote. If the membership of a member is terminated after the Record Date, then the member may not sign a document, receive a document, or vote.
- (b) The Board may fix the Record Date, but the Record Date may be no earlier than the date on which the Board takes action to fix the Record Date and must not be more than seventy-five (75) days before the: (i) date the first member signs a member petition, request, demand, consent, appointment, or similar document; (ii) date a ballot, notice, or similar document is due or required; or (iii) date of a member meeting. If not otherwise provided by the Board, the Record Date: (1) for signing a member petition, request, demand, consent, appointment, or similar document is the date the Cooperative first receives the signed document; or (2) for receiving a

ballot, notice, or similar document or for voting at a member meeting is the date on which the notice or request for such ballot, notice, or other document or the notice of such member meeting was first given or effective in accordance with Section 3.3 or Section 11.1 of these Bylaws.

- (c) The Record Date for determining the Total Membership and the members entitled to notice of, or to vote at, a member meeting is effective for a member meeting adjourned to a date not more than seventy five (75) days after the Record Date for determining the members entitled to notice of the original member meeting.

SECTION 3.8. Member Action Without a Member Meeting. Except as otherwise provided in these Bylaws, members may not act without a member meeting.

Article IV Board of Directors

SECTION 4.1. General Powers. The business and affairs of the Cooperative shall be managed by or under the direction of a board of seven (7) directors which shall exercise, and have authority over the exercise of, all of the powers of the Cooperative, except such as are by Law, the Articles or these Bylaws conferred upon or reserved to the members.

SECTION 4.2. Election and Tenure. The persons serving as directors of the Cooperative shall compose the Board until their respective terms have expired and their respective successors duly qualified. The directors shall each be assigned a district. The districts shall be numbered so that directors whose terms expire in 1978 shall be assigned to districts numbered 3, 4 and 6. Directors whose terms expire in 1979 shall be assigned to districts numbered 1 and 5, and directors whose terms expire in 1980 shall be assigned to districts numbered 2 and 7.

SECTION 4.3. Voting Districts. The territories served, or to be served, by the Cooperative shall be divided by the Board into seven (7) districts. Each district shall be represented by one director. The Board shall give due consideration to membership representation and configuration in dividing the territories into districts. The Board shall review the composition of the districts commencing in 1981 and every three years thereafter.

SECTION 4.4. Term of Directors. Directors shall be elected by the members for a term of three (3) years commencing on the first day of the first calendar month after the date of election, and shall continue to serve thereafter until the last day of the calendar month in which the director's successor shall have been elected, or until the director's earlier death, resignation or removal. Any director may be nominated and elected for, and may serve, any number of successive terms.

SECTION 4.5. Nomination and Election. Nominations and elections of directors by the members shall be made only in accordance with other provisions of this Article IV, as may be supplemented by one or more policies adopted by the Board.

SECTION 4.6. Qualifications. No Person shall be eligible to be nominated for election as, or to become, a director of the Cooperative who:

- (a) is not a member of the Cooperative; or
- (b) has (or is a joint member with a Person who has) one or more accounts with the Cooperative or its affiliates that are not in good financial standing, or has (or is a joint member with a Person who has) a controlling interest in another Person that has one or more accounts with the Cooperative or its affiliates that are not in good financial standing; or
- (c) has not been a member of the Cooperative for the period of twenty four (24) consecutive months immediately prior to election; or
- (d) is not receiving electric service from the Cooperative at the member's principal place of residence; or
- (e) has not maintained a principal place of residence in the district that the person represents or would represent as a director for the period of twenty four (24) consecutive months immediately prior to election; or
- (f) is in any way employed or financially interested, directly or indirectly, in a competing enterprise or a business selling electric energy or supplies or other services to the Cooperative or any of its affiliates (except that no such disabling financial interest shall be deemed to exist merely because the person beneficially owns, as a passive investor, less than five percent (5%) of a class of stock or other equity interest that is publicly traded); or
- (g) occupies or holds any elected position, or any executive or officer position, of any political subdivision, governmental agency, or body politic and corporate of Texas, including, but not limited to, any city, municipality, municipal corporation, town, village, district or county located wholly or partially within the geographic area served by the Cooperative. As used above, the term "executive or officer position" includes (i) city manager, town manager, general manager, executive director, commissioner, chairman, chief executive officer, president, chief financial officer, vice president, secretary or treasurer, (ii) any position with authority similar to the positions described in clause (i) above, or (iii) any position that reports directly to any of the positions described in clauses (i) or (ii) above); or
- (h) has been convicted of a felony or has pled guilty to a felony; or
- (i) if such person has been or is already a director of the Cooperative, has been absent from three (3) consecutive Board meetings (regular or special) or absent from more than one-half of the Board meetings (regular or special) in any six (6)-consecutive-month period. The Board may, for good cause, excuse any absence and if excused,

such absence shall not affect the director's eligibility to be nominated or elected again; or

- (j) has (or is a joint member with a Person who has) been an employee, or has (or is a joint member with a Person who has) worked as an independent contractor or an employee of an independent contractor, of the Cooperative or any of its affiliates during the three (3) year period immediately prior to election; or
- (k) is not a natural person; or
- (l) except as otherwise determined by the Board, is the subject of a final and non-appealable judgment in a civil action or an arbitration on the grounds of fraud, deceit or misrepresentation; or
- (m) is a Close Relative (defined below) of a Cooperative director, officer or employee; or
- (n) during the one (1) year period immediately prior to election, receives, or has a Close Relative or an affiliate that receives, more than ten percent (10%) of his, her, or its annual gross income, other than insurance or medical benefits or director compensation income, directly or indirectly from the Cooperative or any of its affiliates; or
- (o) is employed by another director or is employed by, or receives more than ten percent (10%) of his or her annual gross income from, an entity which another director controls (including as a director, manager, general partner, or officer) or of which another director owns more than ten percent (10%); or
- (p) is not a citizen of the United States of America.

For purposes of these Bylaws, the term "Close Relative" means an individual who (i) through blood, Law, or marriage, is a spouse, child, stepchild, father, stepfather, mother, stepmother, brother, stepbrother, half-brother, sister, stepsister, half-sister, grandparent, grandchild, father-in-Law, mother-in-Law, brother-in-Law, sister-in-Law, son-in-Law, or daughter-in-Law, or (ii) resides in the same residence. An individual qualified and elected as a director does not become a Close Relative while serving as a director because of a marriage or legal action to which the individual was not a party.

Upon establishment of the fact that a director who was elected on or after February 25, 2010, was not qualified, at the time of his or her election, to be elected in accordance with the preceding provisions of this Section 4.6, the Board shall remove such director from such position. If it is established that a director became, only after his or her election, subject to any disqualifications described above in this Section 4.6 (and, for the purposes of subsections (j) and (n), without reference to any time period stated in such subsections), the Board may remove such director from such position.

The fact that any director was not qualified to be elected in accordance with, or (after election) becomes subject to any of the disqualifications described in, the preceding provisions of this Section 4.6 shall not affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

SECTION 4.7. Nominations. Not less than ninety (90) days nor more than one hundred five (105) days prior to an annual or special meeting at which directors are to be elected, notice shall be given to each member residing within a district from which a director is to be elected at the forthcoming meeting that a director is to be elected at such meeting to serve said district. Said notice shall advise the members that:

- (a) Nominations for director shall be by petition, signed by not less than twenty-five (25) members residing, as of the latest date specified in the notice for filing the petition with the Secretary or such other Person as the Board may designate, within the district from which a director is to be elected.
- (b) Attached to the petition shall be a written consent by the nominee to serve as a director, if elected.
- (c) Petitions for nomination must be filed with the Secretary or such other Person as the Board may designate on or before the date specified in the notice, which date shall be not more than seventy-five (75) days nor less than sixty (60) days prior to the date of the annual or special meeting at which directors are to be elected.

Nominations for director may not be made from the floor at a meeting of members.

SECTION 4.8. Election of Directors. Not less than ten (10) days before an annual or special meeting of the members at which directors are to be elected, the Secretary shall be responsible for mailing to each member of the Cooperative as of the Record Date for such meeting a list of nominees for director for each district from which directors are to be elected. This list may be included with the notice of the meeting. Proxy voting shall not be permitted at the meeting. Each member may vote for one nominee from each district. Election of directors shall be by written or printed ballot. Ballots shall list the nominees, arranged by district. Any nominee from a given district receiving a majority of the votes shall be considered elected as director. In the event no candidate receives a majority of the vote upon the original ballot, a special meeting of the members shall be promptly called for the purpose of conducting a run-off election between the candidates receiving the highest and next highest number of votes and the candidate receiving the higher number of votes in the run-off election shall be considered elected as director.

SECTION 4.9. Removal of Director by Members or by Board.

- (a) As provided in this Section 4.9(a) and for cause, any member may bring charges, specifying cause for removal, against a director and, by filing with the Secretary such charges in writing together with a Qualifying Removal Petition (defined below), may request the removal of such director by reason thereof. Any decision on the removal of a director pursuant to this Section 4.9(a) shall be made at a special meeting of the members called (in accordance with Section 3.2 of these Bylaws) for the purpose of making such decision, and such special meeting shall be held within ninety (90) days after the Board, or such other Person as the Board shall designate, determines that the submitted petition is a Qualifying Removal Petition. Such director shall be informed in writing of the charges at least thirty (30) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the Person or Persons bringing the charges against the director shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members, and voting at such meeting regarding the director's removal shall be in person only. If the director is removed by vote of a majority of the members present at such meeting, then the removal shall be effective immediately, and the vacancy shall be filled at a special meeting of members called (in accordance with Section 3.2 of these Bylaws) for such purpose in accordance with Sections 4.7 and 4.8 of these Bylaws. In the event that the vacancy has not been filled within one hundred twenty (120) days after the date of the director's removal by the members at such meeting, then the vacancy may be filled in accordance with Section 4.10 of these Bylaws. Nothing in this Section 4.9 shall be construed to waive the residency or other qualifications of a director as set forth in Section 4.6 of these Bylaws.
- (b) The term "Qualifying Removal Petition" means a written petition that (i) relates to the requested removal of one (but not more than one) director of the Cooperative (the "Subject Director"), (ii) on each page, clearly states the name of the Subject Director and the charges against the Subject Director, (iii) bears the original signatures of at least five percent (5%) of the Total Membership as of the Record Date for such petition or three hundred (300) members, whichever is less, so long as (A) at least one hundred (100) of the signing members are residents of the district represented by the Subject Director, (B) each member signing the petition (regardless of residence) has dated his, her, or its signature, and (C) all signatures are dated within sixty (60) days of the date such petition is filed with the Secretary, and (iv) is submitted to the Board, or such other Person as the Board may designate, for review. If the Board, or such other Person as the Board may designate, determines that the submitted petition is improper, then the submitted petition will not be a Qualifying Removal Petition, and may not be corrected or supplemented, but (if the petitioning members so desire) a new petition must be made and filed with the Secretary in accordance with Section 4.9(a) of these Bylaws.

- (c) Charges, specifying cause for removal, against a director may be brought by any three (3) other directors of the Cooperative and submitted to the Board. Any decision on the removal of a director (who, for purposes of this Section 4.9(c), is a “Subject Director”) by the Board, which may only be for cause or in accordance with Section 4.6 of these Bylaws, under this Section 4.9(c), shall be made at a regular meeting of the Board or at a special meeting of the Board called for that purpose. The Subject Director shall be informed in writing of the charges at least thirty (30) days prior to the meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; the directors bringing the charges against the Subject Director shall have the same opportunity. The question of the removal of the Subject Director shall be considered and voted upon at the meeting. If the Subject Director is removed by a vote of two-thirds (2/3) of all of the directors of the Cooperative, other than the Subject Director, then the removal shall be effective immediately. The vacancy may be filled in accordance with Section 4.10 of these Bylaws.

SECTION 4.10. Vacancies. If a vacancy occurs on the Board (and if, in the case of a director removed in accordance with Section 4.9(a) of these Bylaws, the members have not filled the vacancy or will not do so in accordance with Section 4.9(a)), the Board shall elect a director to fill the vacancy; provided, however, that if the vacancy occurs not more than one hundred eighty (180) days and not less than one hundred five (105) days prior to the annual meeting (i.e., the earliest date for giving notice under Section 4.7 of these Bylaws) immediately prior to the date on which the former director’s term would have otherwise expired, the Board shall not fill the vacancy, but rather the vacancy shall be filled by the election of a director by the members in accordance with these Bylaws at the next annual meeting. If the members fail to elect a director to fill that vacancy at that annual meeting, then the Board shall fill the vacancy. If the Board is filling a vacancy in accordance with this Section 4.10, then (a) the vacancy shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term of the former director, and (b) if the vacancy occurs not more than twelve (12) months prior to the annual meeting immediately prior to the date on which the former director’s term would have otherwise expired, the director elected by the Board to fill the vacancy shall not be required to satisfy the qualifications of a director set forth in Sections 4.6(e), (g) and (j) of these Bylaws.

SECTION 4.11. Compensation. Directors shall not receive any salary for their services as such, except that the Board may by resolution authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments which are authorized by the Board. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the Board in lieu of detailed account for some of these expenses. 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 (a) the payment and amount of compensation shall be specifically authorized by a vote of the members or (b) the service by the director or the director’s Close Relative shall have been certified by the Board as an emergency measure.

SECTION 4.12. Executive Committee of the Board of Directors. The Board may designate from among its members an executive committee, which shall be composed of one or more of its members, and may designate one or more of its members as alternate members of such executive committee, who may, subject to any limitations imposed by the Board, replace absent or disqualified members at any meeting of such executive committee. Such executive committee, to the extent provided in the resolution of the Board, shall have and may exercise all of the authority of the Board, except where action of the Board is required by applicable Law or by the Articles. Any member of such executive committee may be removed, for or without cause, by the Board. If any vacancy or vacancies occur in the executive committee caused by death, resignation, retirement, disqualification, removal from office or otherwise, the vacancy or vacancies shall be filled by the Board. Such executive committee shall keep regular minutes of its proceedings and report the same to the Board when required.

SECTION 4.13. Director Resignation. A director may resign at any time by giving written notice of resignation to the President or the Secretary. The resignation shall be effective when given unless the notice of resignation specifies a later date. If a resignation has a delayed effective date, the vacancy resulting from the resignation may be filled in accordance with Section 4.10 of these Bylaws so long as the successor does not become a director until the effective date of the resignation.

Article V Board Meetings

SECTION 5.1. Regular Meetings. A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members unless the officer presiding at the annual meeting designates another date, time, and/or place for said meeting, which date shall be not more than thirty (30) days from the date of the annual meeting. A regular meeting of the Board shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the Board. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 5.2. Special Meetings. Special meetings of the Board may be called by the President or by any four directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or directors calling the meeting shall fix the time and place for the holding of the meeting. The special meeting may be held in, or out of, the state in which the Cooperative is located.

SECTION 5.3. Notice of Board Meetings. At least two (2) days' written notice of the time and place of any special meeting of the Board shall be given (in accordance with Section 11.1 of these Bylaws) or delivered (in accordance with this Section 5.3) to each director, by or at the direction of the Secretary, or upon any failure to do so by the Secretary, by the President or any director properly calling the meeting. If mailed by first-class United States mail, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director, with postage thereon prepaid.

SECTION 5.4. Quorum. A majority of the directors in office immediately before a Board meeting shall constitute a quorum; provided, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. An interested director may be counted in determining whether a quorum is present to vote or act upon a matter in which the director is interested. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these Bylaws. Any action that the Board has authority to take or cause to be taken under these Bylaws and the other Governing Documents shall be subject to the Board's sole discretion.

SECTION 5.5. Conduct of Board Meetings.

- (a) A regular meeting or special meeting may be conducted with absent directors participating, and deemed present in person, through any means of communications equipment permitted by Law (including conference telephone) by which all directors participating in the meeting may communicate with each other during the Board meeting.
- (b) If a quorum is present at a Board meeting, then (i) in descending priority, the following Board officers may preside at the meeting: President, vice president, Secretary, and treasurer, and (ii) if no officer is present or desires to preside at the meeting, then the directors attending the meeting must elect a director to preside over the meeting.

SECTION 5.6. Board Action by Written Consent. Except for any action under Section 4.9(c) of these Bylaws, the Board may take an action required or permitted to be taken at a Board meeting, without a Board meeting, if the action is: (a) taken by all directors; and (b) evidenced by one or more written consents ("Director Written Consent"): (i) describing the action taken; (ii) signed by each director; and (iii) included with the Board meeting minutes. Except as a different effective date is stated or provided in the Director Written Consent, action taken by Director Written Consent is effective when the last director signs the Director Written Consent. A Director Written Consent may be signed in counterparts. A Director Written Consent has the effect of, and may be described as, a Board meeting vote.

Article VI
Board Officers; Other Officers and Agents

SECTION 6.1. Number. The Board shall elect from its membership a President, vice president, Secretary and treasurer. The offices of Secretary and treasurer may be held by the same person. At the discretion of the Board, the President may use the title "Chairman" and/or the vice president of the Board may use the title "Vice Chairman".

SECTION 6.2. Election and Term of Office. The Board officers shall be elected by an affirmative vote of a majority of all of the directors, by voice or by ballot, annually, by and from the Board at the first meeting of the Board held after the annual meeting of the members. The election shall be by ballot upon request of any director. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members and until his or her successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term of such office.

SECTION 6.3. Removal or Resignation of Officers and Agents. Any Board officer and any Cooperative officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any Board officer or Cooperative officer may resign from office at any time by giving written notice of resignation to the Board. The removal or resignation from office of or by any Board officer shall not necessarily affect such director's continued service as a director, but a director who is removed or resigns as director in accordance with these Bylaws shall cease to be a Board officer upon his or her removal or resignation.

SECTION 6.4. President. The President shall:

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

SECTION 6.5. Vice President. In the absence of the President, or in the event of his or her inability or refusal to act, the vice president of the Board shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The vice president of the Board shall also perform such other duties as from time to time may be assigned to such officer by the Board.

SECTION 6.6. Secretary. The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;

- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by Law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) keeping a register of the names and post office addresses of all members;
- (e) signing, with the President, certificates of membership the issue of which shall have been authorized by the Board or the members;
- (f) keeping on file at all times a complete copy of the Articles and the Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the Bylaws and of all amendments thereto to any member upon request; and
- (g) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to such officer by the Board.

SECTION 6.7. Treasurer. The Treasurer of the Board shall perform all duties, shall have all responsibility, and may exercise all authority, as prescribed by the Board.

SECTION 6.8. Other Cooperative Representatives. The Board may appoint other officers, agents and employees of the Cooperative, and authorized designees of the Board may appoint such other agents and employees of the Cooperative, as the Board or its designees (as the case may be) consider necessary. Such other officers, agents and employees may be given such titles as determined by the Board or its designees.

SECTION 6.9. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property may be bonded in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 6.10. Compensation. The powers, duties and compensation of officers of the Board and the Cooperative and of agents and employees of the Cooperative shall be fixed by, or as authorized or delegated by, the Board, subject to the provisions of these Bylaws with respect to compensation for a director and Close Relatives of a director.

SECTION 6.11. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

At the option of the Board, the officers may submit a report based on the last audit. If the audit report is used, the fiscal year report shall be available for inspection by any member.

SECTION 6.12. Advisory Directors and Other Representatives of the Board. The Board shall have the power to appoint from time to time one or more natural persons to serve as a representative of the Board. A person appointed as a representative of the Board may be given the title of “Advisory Director” or such other title as determined by the Board. Such representative shall have such powers, duties and compensation as the Board may prescribe from time to time. The Board may remove any such representative appointed by the Board if the Board determines that such removal will serve the best interest of the Cooperative.

Article VII Non-Profit Operation

SECTION 7.1. Definitions. In this Article VII, the term “patron” means a member of the Cooperative who is eligible to receive an allocation of capital credits as a result of the purchase of electric energy from the Cooperative as defined in Section 1.7 of these Bylaws.

SECTION 7.2. 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 7.3. Patronage Capital in Connection with Furnishing Electric Energy.

- (a) In the furnishing of electric energy, the Cooperative’s operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obliged to account on a patronage basis to all its patrons 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 amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

- (b) All other amounts received by the Cooperative other than in the furnishing of electric energy in excess of costs and expenses may in the discretion of the Board and insofar as permitted by Law, be (a) used to offset any losses incurred during the current or any prior fiscal year, (b) used to establish reserves and other capital not assignable to the patrons prior to the dissolution of the Cooperative, and (c) to the extent not needed for these purposes, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.
- (c) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. After December 1, 1989, the Board shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital.
- (d) The Cooperative shall have the right to offset the retirement approved by the Board for a patron against the debt owed to the Cooperative by such patron. The Cooperative, before retiring any capital credit of any patron's account, shall deduct from the retirement of capital credits any amount owing by such patron to the Cooperative. This provision shall apply to all retirements of capital credits.
- (e) Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.
- (f) Notwithstanding any other provision of these Bylaws, the Board at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.
- (g) The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles and the Bylaws shall constitute and be a contract between the Cooperative and such patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had

individually signed a separate instrument containing such terms and provisions. The provisions of this Article VII shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Article VIII Sale, Mortgage or Encumbrance of Property

SECTION 8.1 Sale of All or Substantially All Property. The Cooperative may not sell, lease (as lessor) or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members of the Cooperative by the affirmative vote of not less than two-thirds of all of such members and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting.

SECTION 8.2 Mortgage or Encumbrance. The Board, without authorization by the members of the Cooperative, shall have full power and authority to authorize the Cooperative to, and the Cooperative may, at any time or from time to time borrow monies from, and incur indebtedness and obligations to, any Person and (notwithstanding any requirement or condition of Section 8.1 of these Bylaws) grant a mortgage, deed of trust or other contractual lien upon, a security interest in, a pledge or assignment of and/or other encumbrance upon any or all of the Cooperative's property and assets, whether acquired or to be acquired, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness or any other obligation of the Cooperative.

Article IX Seal

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the word "seal."

Article X Financial Transactions

SECTION 10.1. Contracts. Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent or agents 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 10.2. Fiscal Year. The Board may determine and modify the Cooperative's fiscal year. Except as otherwise provided by the Board, the fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

Article XI Miscellaneous

SECTION 11.1. Notice.

- (a) Except as otherwise provided in these Bylaws, any notice required under these Bylaws must be written and communicated: (i) in person or by local courier; (ii) by facsimile or, if and as permitted by Law, electronic communication or other form of wire or wireless communication; (iii) by mail or overnight courier; (iv) by newsletter, magazine or other publication regularly sent to members; or (v) only if the above-listed forms of communicating notice are impractical, then by newspaper or magazine (or similar publication) of general circulation in the area where published, or by radio, television or other form of public broadcast communication.

Written notice is correctly addressed to a member, including a director as such, if addressed to the member's or the director's address shown in the Cooperative's records.

If addressed or delivered to the member's address shown in the Cooperative's records, then a written notice or report delivered as part of a newsletter, magazine or other publication regularly sent to members constitutes a written notice or report to all members: (1) residing at the address; or (2) having the same address shown in the Cooperative's records.

- (b) Except as otherwise provided in these Bylaws, notice shall be deemed given and effective upon the earliest of: (i) if delivered in person or by local courier, then upon receipt or refusal of receipt by the addressee; (ii) if sent by facsimile or, if and as permitted by Law, electronic communication or other form of wire or wireless communication, then upon receipt by the addressee; (iii) if mailed with first-class postage affixed, then three (3) days after deposit in the United States Mail; (iv) if sent by registered or certified mail, return receipt requested, and if the return receipt is signed by, or on behalf of, the addressee, then on the date indicated on the return receipt; (v) if sent by overnight courier, then one (1) business day after deposit with the overnight courier; (vi) if sent by newsletter, magazine or other publication regularly sent to members with periodical or other appropriate postage affixed, then three (3) days after deposit in the United States Mail; or (vii) if by newspaper or magazine (or similar publication) of general circulation in the area where published, or by radio, television or other form of public broadcast communication, then on the date of publication of such newspaper, magazine (or similar publication) or radio, television or public broadcast communication.

SECTION 11.2. Waiver of Notice. Any member or director may waive in writing any notice of a meeting required to be given by these Bylaws, and such waiver may be before or after the meeting. The attendance of a member or director at any meeting shall constitute a waiver of notice of such meeting by such member or director, except in case a member or director shall

attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 11.3. Policies, Rules, Regulations, Etc. The Board shall have power to make and adopt such policies, rules, regulations, requirements, guidelines, procedures, programs, determinations, resolutions and actions, not inconsistent with Law, the Articles or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 11.4. Accounting System and Reports. The Board shall cause to be established and maintained an accounting system in accordance with generally accepted accounting principles, subject to applicable laws and rules and regulations of any regulatory body having jurisdiction over the Cooperative. The Board shall also, after the close of each fiscal year, cause to be made by a certified public accountant, a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be made available for inspection by any member upon written request. The Board may adopt an audit year to cover a period other than the fiscal year.

SECTION 11.5. Governing Law. These Bylaws shall be governed by, and interpreted under, the laws of the State of Texas.

SECTION 11.6. Titles and Headings; Certain Defined Terms. Titles and headings of Bylaw Articles, Sections, and subsections are for convenience and reference and do not affect the interpretation of a Bylaw Article, Section, or subsection. In these Bylaws, unless the context otherwise requires, (a) the term “including” means “including, without limitation,” (b) the term “Person” means any natural person, any corporation, limited liability company, partnership, limited partnership, trust, association, or any other entity of any kind, or any government or governmental authority or entity of any kind, and (c) the terms “hereof,” “herein,” and the like refer to these Bylaws as a whole, and not to any particular provision of these Bylaws.

SECTION 11.7. Partial Invalidity. When reasonably possible, every Bylaw Article, Section, subsection, paragraph, sentence, clause, or provision (collectively, “Bylaw Provision”) must be interpreted in a manner by which the Bylaw Provision is valid. The invalidation of a Bylaw Provision by an entity possessing proper jurisdiction and authority, which invalidation does not alter the fundamental rights, duties, and relationship between the Cooperative and its members, does not invalidate the remaining Bylaw Provisions.

SECTION 11.8. Lack of Notice. The failure of a member or director to receive notice of a meeting, action, or vote does not affect, or invalidate, an action or vote taken by the members or the Board.

Article XII Amendments

These Bylaws may be altered or amended by the affirmative vote of not less than two-thirds (2/3) of the directors at any regular or special meeting.

Notwithstanding any other provisions of these Bylaws, an affirmative vote of at least 51% of the members shall be required to alter, amend or repeal Article XII. – Amendments, unless otherwise provided by Law.

Article XIII Territorial Integrity

If in keeping with the terms of the Cooperative's various mortgages, and its obligations for payments of its loans, if any, to the United States of America, it appears that proposed territorial changes or development may unfavorably affect the Cooperative's ability to promptly pay its loans or provide service to its members, and that such unfavorable result may be avoided by territorial development favorably to the Cooperative, the Cooperative may aid in such development by donations or loans in such amounts as may appear equitable, and upon such terms and conditions as may be determined by the Board.

Article XIV Rights Retained

This revision of the Bylaws of Denton County Electric Cooperative, Inc. is not to be construed as a conveyance, waiver or abandonment of any right, title or interest had or acquired by the Cooperative or any member under any federal or state statute, original bylaws, or any amendment or any revision of these Bylaws, or any contract or agreement had or made with the United States of America, acting by and through the Administrator of Rural Electrification, or any amendment, or any supplemental agreement, had with any governmental agency, but any and all such right, title and interest so acquired by the Cooperative or any member of the Cooperative, whether mentioned herein or not, are especially reserved and retained by the Cooperative.

Article XV Law and Articles; Governing Documents

SECTION 15.1. Law and Articles. These Bylaws are subject to Law and the Articles. If, and to the extent that, a Bylaw violates or directly conflicts with Law or the Articles, then the Law or the Articles control. For the avoidance of doubt, if any provision of these Bylaws, permitted by Law or the Articles, is more restrictive, or includes a standard that is more restrictive, than the corresponding provision of Law or the Articles, then that provision of these Bylaws shall be effective and shall not be considered to violate or directly conflict with Law or the Articles. "Law" consists of applicable local, state, and federal constitutions, statutes, ordinances, regulations, holdings, rulings, orders, and similar documents or actions, whether legislative, executive, or judicial.

SECTION 15.2. Governing Documents. The “Governing Documents” are the written membership application signed by a member or applicant for membership and the following documents and actions, all as currently existing or as later adopted or amended: (a) the Articles; (b) these Bylaws; (c) the Cooperative’s tariff; and (d) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board.

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