



Table of Contents

Manager's Message

Metering

Prepaid Metering

Solar Energy Options

Cooperative Funding

Infrastructure Improvements

Financial Reports

Bylaws

Ballots

MANAGER'S MESSAGE

One of our most important tasks is planning for the future. Together, the Board of Directors, Management and dedicated Personnel will take the pieces that are already in place and forge forward, continuing to build upon the excellent foundations that have been laid in years past.

~ Alan Lesley, CECA General Manager



I COMMUNICATE THE WORDS IN THIS ANNUAL REPORT with enthusiasm toward CECA's future. It is a contagious enthusiasm... I sense the same energy from the employees working throughout the entire organization.

CECA is on solid financial ground and we have the pieces in place to build on our past successes.

2019 finds us ahead of our planned schedule in implementing many of the projects we have begun. In July, we were proud to commission a new distribution substation in the Olden area of Eastland County to serve a growing load base as well as vastly improve our reliability to those members residing in that portion of our service territory. Additionally, we have completed numerous system upgrades in advance of our planned scheduling to take full advantage of long term financing at near historically low interest rates.

On top of that – more exciting news – we have just completed the first of two construction phases of our new headquarters facility! The product of almost 5 years of planning and construction, employees began moving into the facility in August. Once finished, the complete campus will encompass a Headquarters building, warehouse and shop facility, equipment yard and a 7-acre community solar project. Equipped with advanced technology, the facility will help our employees monitor and control devices in our service area which will speed the process of locating problems to provide for faster restoration of outages when they occur. Through the aid of security enhancements, installed systems ensure continued compliance with standards to protect member information and safeguard the integrity of critical distribution infrastructure assets.

The Cooperative continues to be a leader in seeking to understand and invest in new technologies beneficial to our membership. Having noticed an increasing interest in residential solar, we have spent considerable time researching options and now are able to offer a turn-key solution which is made up of fully vetted top-of-the-line components. Best of all, the cooperative will install and provide continuing maintenance service for those interested in investing in their own solar facility.

At every turn, there are dedicated CECA employees making a contribution. From those who scout out outages and restore your power to those who develop ideas into practical applications, we are a committed group of professionals, devoted to the members and communities in which we serve. And our members are there at every step. Our service is made better with the benefit of constant contact and feedback from you.

One of our most important tasks is planning for the future. Together, the Board of Directors, Management and dedicated Personnel will take the pieces that are already in place and forge forward, continuing to build upon the excellent foundations that have been laid in years past.

INNOVATION THROUGH METERING

Do you remember when your bill came with a meter reading card, and you walked out to your meter and wrote down the reading and sent it in with your payment? How about the meter readers that walked to your meter and wrote the reading in their big black books? A lot has changed in the last 80 years!



WHEN COMANCHE COUNTY ELECTRIC COOPERATIVE WAS FORMED IN 1938, members not only read their own meters, but calculated their own bill using a billing chart provided by the cooperative. Then they would return a check with their bill based on their own calculations.

In the 1980's meter readers were hired to drive to each individual meter per month to collect the current reading. While this was an improvement for our membership, it was still a timely and costly endeavor.

In the late 1990s CECA implemented Turtle meters, the latest and greatest of a line of smart meters. The Turtle meter could read a meter, then send those readings through the lines to a receiver at the substation. Readings were then sent from the substation directly into a software program.

However, there was about a three day delay in those readings (thus the name "Turtle") and the cooperative was very limited in what information it could receive.

Due to technological advances, and Turtle meters not keeping up with the changing times, in 2013 CECA began the process of changing out all meters to Sensus meters, one of the most advanced metering systems being utilized today. As a result, CECA now has more options to deliver accuracy, reliability and quality service to our members. With two-way communications, CECA can communicate reliably with our entire service territory.

In addition to being a very user friendly and valuable asset to the cooperative, Sensus meter have proven over and over again just how valuable they are to you, our members. A few of the many resources CECA is able to pull from this metering system are:

- Instantaneous reads allow CECA service representatives to better assist the member with usage inquiries.
- Voltage measurement and alarm reporting advises the cooperative of possible malfunctions.
- Power outage and restoration alerts inform the CECA dispatch crews of power outages, sometime even before the member is aware the power is off.
- Remote disconnect and reconnect capability allows CECA to connect and disconnect a meter right from the office. This eliminates the expense of sending a crew to the location to disconnect, then back to reconnect.
- Additional information beneficial to coop as far as providing the customer the best service possible.

The accuracy and reliability of the Sensus metering system is beyond compare, and CECA is proud to be on the cutting edge of this technology. We will continue to update and improve the system to provide you with the best service possible to improve the quality of service we provide to you.

INNOVATION THROUGH PREPAID METERING

Life is busy, with little time for the tedious and troublesome task of sitting down to pay bills. CECA has several options to help relieve that burden. Contact a Member Service Representative today to find out how you can benefit from these time saving features.



AT CECA WE KNOW HOW EASY IT IS to get caught up in the hustle and bustle of everyday living. The job, the kids, the grandkids....who has time to sit down and write checks and mail them out?

With eight different payment choices—bank draft, recurring online payments, e-bill, walk in, phone, budget billing, and mail, plus our newest option, Pay Your Way—CECA makes it easy for members to choose the payment option that is most convenient for them and their family.

Pay Your Way Prepaid Metering

How does Pay Your Way prepay work?

New and current residential members may be eligible to qualify for the CECA Pay Your Way prepay program.

New members pay a \$120 initial payment to establish a Pay Your Way prepay account. This amount consists of a \$20 CECA membership fee, a one-time \$50 connect fee and a \$50 credit applied to the Pay Your Way prepay account.

Existing members may have the option of converting to a prepay account. Deposits on an existing account will be applied toward any outstanding balance, with the remaining amount applied to the Pay Your Way prepay account as a credit. Existing members with billed or unbilled account balances may either pay the existing balance or may qualify for the cooperative's debt management system.

Existing CECA members must begin the Pay Your Way prepay program with a minimum of \$20 credit on the account. Pay Your Way members are not eligible for budget billing.

Billing

Once a Pay Your Way prepay account is established and a credit balance is realized, the member's home energy usage and the availability charge is recorded and charged daily to the account. The credit balance is reduced daily by the amount charged until either the balance is exhausted or additional payments are made to the account.

How do I manage my Pay Your Way prepay balance?

You may choose to receive periodic courtesy notifications of account balances via text messaging and/or email.

For more information, please call our office directly at 800-915-2533. Someone will be available to answer your questions 24/7.

INNOVATION THROUGH SOLAR



Going Solar Just Became Easy

Thinking of going solar but don't want the high cost and complications associated with roof-top solar panels? Or maybe there simply isn't enough light where you live. With CECA Energy Solutions you now have an easy way to capture your share of the sun!

CECA NOW HAS TWO EASY WAYS TO GO SOLAR through our CECA Energy Solutions: Community Solar and Backyard Solar.



Community Solar

How it Works

Members will be able to purchase 100 kWh blocks of energy from the cooperative. These blocks will allow you to lock in the value of that solar kWh at the time of purchase. That price is then good for up to 25 years, as long as the member continues to purchase the blocks from CECA each month. This allows the member to avoid any increase in kWh for that portion of their bill. Members will be allowed to purchase up to ½ their average monthly usage in Solar Blocks.

Cooperative Solar Advantages:

- It's affordable
- There are no long-term contracts
- It's more cost-effective than owning or leasing a rooftop solar system
- There's nothing to finance
- There are no shade limitations
- You'll have no holes in your roof
- Concerns about roof age and condition are eliminated
- No maintenance issues
- No need to be concerned about roof orientation to the sun
- Neighborhood covenants do not affect access
- Renters can participate

Availability

Members will be able to purchase blocks of energy to supplement energy purchased through the cooperative. These blocks will allow members to lock in a price for up to 25 years, avoiding increases in energy pricing.

Sign-Ups

Sign-ups are on a first-come, first served basis. Call us at 800-915-2533 to apply. We are not able to take online requests at this time. If blocks are sold out, a waiting list is available.

Billing

Members will be billed \$18 for each block of solar electricity. The kilowatt-hours produced by your block in each calendar month will offset the same number of kilowatt-hours on your bill. If your block produces more kilowatt-hours than you use during your billing period, you will receive a credit for the excess. You will be informed of any price change at least 30 days in advance.

Length of Commitment

There are no contracts involved, members may discontinue at any time by notifying CECA. However, when you choose to discontinue, CECA cannot guarantee there will be availability if you decide to rejoin.

Backyard Solar

How it Works

CECA Energy Solutions now offers backyard solar arrays for residences. CECA employees and contractors will be with you every step of the way through planning, purchasing, installation, and maintenance of the system. All parts are warranted to protect our members from inferior products. Members are able take advantage of co-op buying power and expertise to ensure they are receiving a quality product for a fair price.

Current Offering

CECA Energy Solutions has three kit sizes to fit any members usage profile. 4, 8, & 12 KW ground mount systems can be placed in close proximity to your meter. This allows CECA to ensure the angle and shading are perfect for peak performance of the system and members do not have to worry about being oversold or having a system under produce.

Solar Kits/Custom Arrays

CECA Energy Solutions has worked hard to develop solar options for our members that are made up of only top of the line components. In doing this we have maintained very competitive pricing that we believe provides a superior product for a great price.

Maintenance Plan

CECA Energy Solutions will offer a maintenance plan that covers all warranty issues, labor costs for replacement parts, and monitoring to ensure all panels and inverters are running at peak production. A charge of \$12/month will be added to your electric bill.

Protected by People You Trust

Members who join the CECA Solar Maintenance Plan receive the security of knowing CECA will be around throughout the long lifetime of a solar array to help with any warranty or maintenance issues as well as system monitoring to know when something is not performing at peak capabilities.

Contact Us:

For more details on the program, the coverage under the maintenance plan, or to sign up, contact CECA Energy Solutions at 800-915-2533 or email rhilliard@ceca.coop for current pricing.

INNOVATION THROUGH FUNDING

CECA HAS TEAMED WITH
*National Cooperative Bank
(NCB) to aid our members
in the quest for energy
efficiency. Through this
partnership, members can
now receive financing
for energy efficiency
improvements.*





National Cooperative Bank

NATIONAL COOPERATIVE BANK (NCB) is dedicated to strengthening communities nationwide through the delivery of banking and financial services, complemented by a special focus on cooperative expansion and economic development. NCB provides financial products and services for the nations' cooperatives, their members, and socially responsible organizations.

NCB is a hassle free, easy option offered by CECA to assist you with financing in the Installation of solar energy or energy upgrades at your home.

Just like CECA, NCB is a cooperative. They understand the needs of our rural areas, and are ready and willing to lend aid to our members.

Home Energy Consumer Loan (Unsecured)*

- Loan Amount: \$3,000 to \$30,000
- 5 to 8 years (not to exceed useful life of asset)
- Application Fee: N/ A
- Loan Funding: 100 percent to consumer

Home Energy Consumer Loan (Secured)*

- Loan Amount: \$30,001 to \$100,000
- Loan Term: 5 to 8 years (not to exceed useful life of asset)
- Application Fee: \$150
- Collateral: UCC Filing for energy equipment
- Loan Funding: 100 percent to consumer

***Banking products and services provided by National Cooperative Bank, N.A. Certain restrictions apply. All products offered are subject to National Cooperative Bank, N.A. guidelines. Member FDIC. NCB NMLS #422343**

Apply for Consumer Financing Today!

Brittney Baldwin

Vice President

TEL (866) 499-3517

EMAIL bbaldwin@ncb.coop NMLS# 507535

NMLS#507535

Apply Online at www.ncb.coop/consumerenergy

Consumer Financing Program:

Loans can be used for a variety of investments, including:

- Residential Solar
- Community Solar
- Energy Storage
- EV Chargers
- Generators
- Appliances
- Energy Efficiency Measures
- Geothermal Heat Pump Installations

Learn More about your Consumer Energy Options at:
rhilliard@ceca.coop or 800-915-2533

INNOVATION THROUGH INFRASTRUCTURE



When a small group of rural citizens met in 1938 to discuss the lack of rural infrastructure in Comanche County, little did they know that 80 years later it would grow into a seven-county electric cooperative serving almost 17,000 meters on 5,000 miles of electric lines! Except for the first few years, Comanche Electric Cooperative (CECA) has occupied and operated out of the same headquarters location. “We finally just got to the point where there’s not any more floorspace,” said Alan Lesley, General Manager.



Why build a new building?

Built in 1955, with half the members and miles of line the cooperative currently serves, and half as many employees, the cooperative has now outgrown its existing building and space available. The CECA office is filled to capacity, with employees sharing work stations and offices. To ensure that employees meet member needs at exceptionally high levels, adequate work areas must be available for the employees to meet the needs of the members.

What options were available?

To remedy this situation, in 2014 the board and staff of CECA began an extensive study of options. Three opportunities were studied:

- 1) Renovation of the existing location was most desired but quickly eliminated. With little room available for expansion and a 62-year-old building, this option was not economically feasible to meet the organization's current and expected future needs.
- 2) Start with a blank slate and build from the ground up; or,
- 3) Renovate an existing building.

In the search to determine if it was feasible to purchase raw land for a new HQ site, the Sidran Manufacturing Plant was considered and ultimately determined to be the best overall fit for CECA. The 42,000 square foot building provided adequate space for offices, with substantial room for growth. The 15-acre property also afforded enough acreage for a shop, equipment yard, warehouse, and additional room for a solar farm.

Who made the decision to renovate?

In January of 2015 the CECA Board of Directors voted to purchase and renovate the old Sidran Manufacturing Plant and the 15 acres it sits on. With a large infrastructure to build from and room for growth, this option proved not only to be the most practical option for the cooperative, but also the best use of available resources.

In May of 2016 the CECA Board of Directors reviewed candidates and selected Wal-drop Construction of Brownwood as the General Contractor for the project. From there, engineering and design work for the CECA new headquarters facility was started and finally, in January of 2018, construction began.

Will rates be raised to pay for the new facility?

To CECA's financial statements, this project isn't treated any differently than that of a large power line construction project. Keeping the almost 5,000 miles of electric lines in

good working condition is a constant work in progress, so additions and modifications to the utility plant are a necessity and budgeted every year. This project has been well planned and all costs have been accounted for within the budget.

Of course, over time costs do increase and rates for CECA members must be adjusted to recover those costs. However, this specific project will not impact the rates CECA members pay any more than other projects of this scale that are built within the CECA workplan scope.

The Result:

Today we are pleased to be occupying our new space at 349 Industrial Blvd, Comanche, Texas. A drive-thru payment window and night deposit area have been added for member service convenience. Additional parking areas make the office more accessible, with easier access than the previous small parking lot.

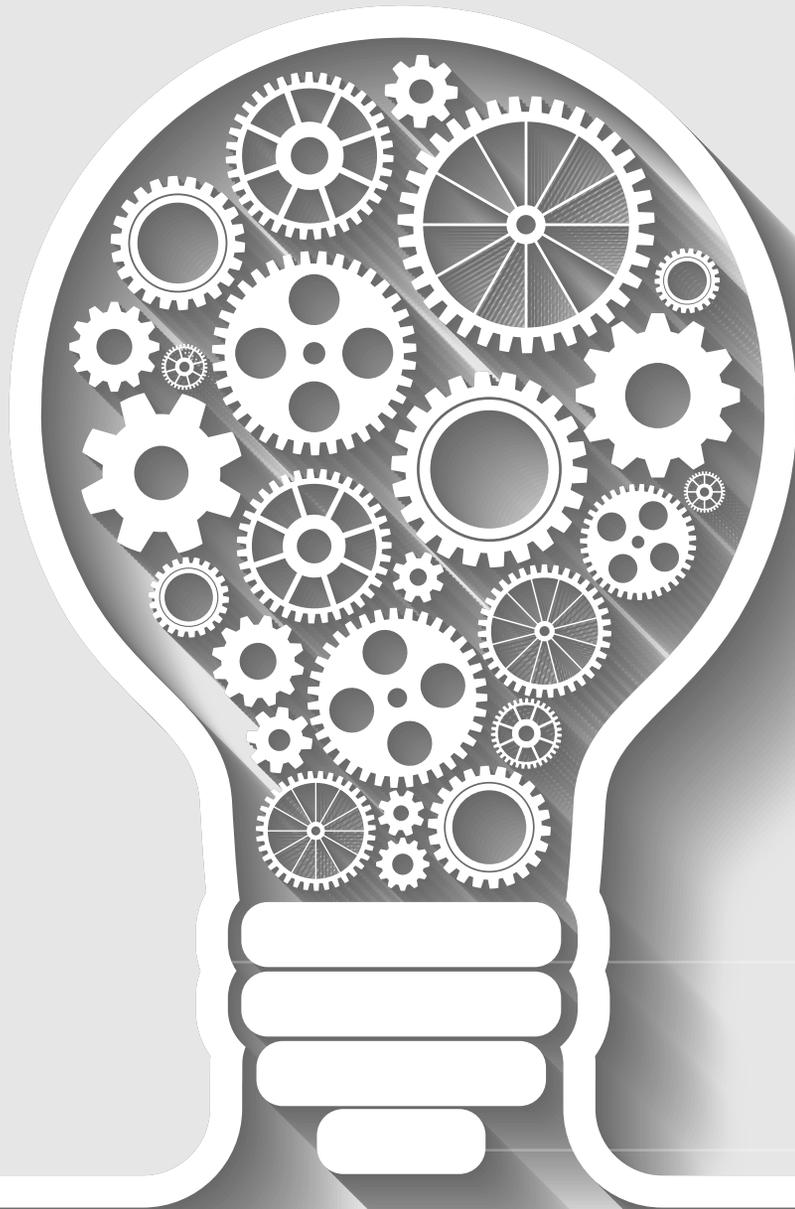
Energy efficiency measures have been taken, a much-needed improvement over the previous 60-year-old building. These measures insure the new building is well equipped to last into the future, only leaving a small footprint on the environment. Landscaping has been designed to accommodate for water runoff and to eliminate waste of this precious resource.

Looking to the Future:

Plans are currently being made to install a community solar farm at the new location. In addition to serving as an added generating facility, the array will also serve as a teaching tool to help our members and the communities we serve to better understand the technology, costs, and timeframe for which they can expect to recover their investment if they decide to install a system at their home or business.

In addition, the new facility is located on Industrial Boulevard, an area already zoned for industry with better entrance and exit routes. CECA traffic will now be directed away from the more residential area of Wrights Avenue.

We invite you to stop by for a visit. Our office hours remain 7:30 AM to 4:30 PM and the phone number will remain the same at 1-800-915-2533. We look forward to your visit!



FINANCIAL REPORTS

Manager and Board of Directors



MONTY CARLISLE
Board Chairman
District #4



RUBY SOLOMON
Secretary
District #3



PHIL TAYLOR
Vice Chairman
District #7

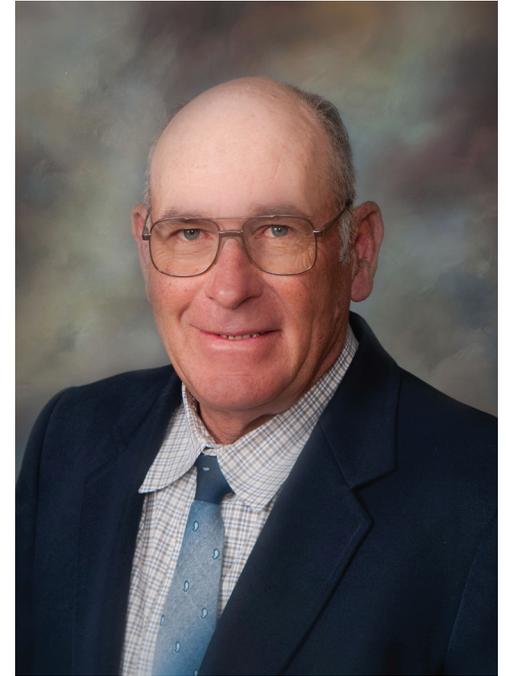


RANDY DENNING
District #1

Manager and Board of Directors



PETE MCDUGAL
District #2



LOREN STROEBEL
District #6



TROY STEWART
District #5



ALAN LESLEY
General Manager

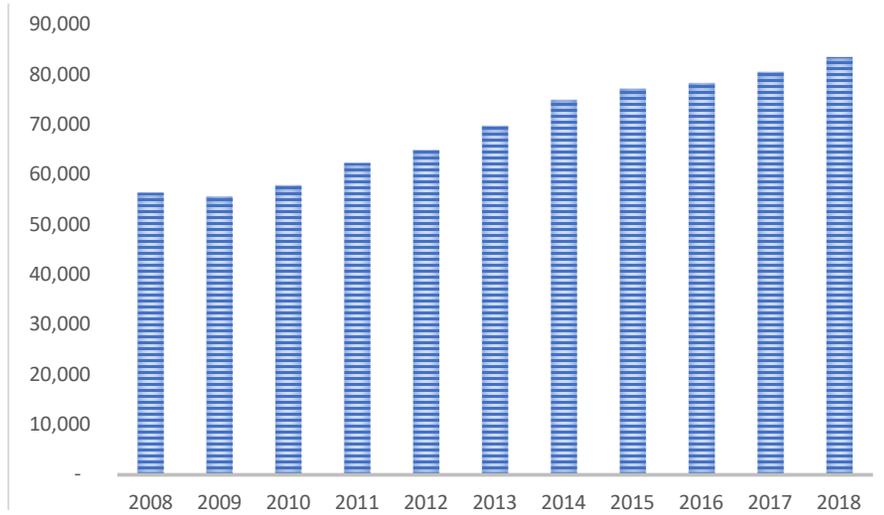
Balance Sheet

As of December 31, 2017 & 2018

ASSETS		
WHAT WE OWN	2017	2018
Electric Lines, Equipment, Property and Buildings	81,494,802	83,449,847
Less: Accumulated Provision for Depreciation	<u>(19,943,462)</u>	<u>(21,922,976)</u>
Net Utility Plant	61,551,340	61,526,871
Non Utility Plant		
Cash	308,528	238,610
Investments in Associated Organizations	14,609,748	15,154,347
Other Investments	1,501,389	2,913,499
Accounts Receivable	421,550	396,380
Construction Materials and Supplies on Hand	445,436	254,105
Miscellaneous Prepayments and Other Debits	1,304,643	3,210,169
TOTAL ASSETS	80,142,634	83,693,981
LIABILITIES AND NET WORTH		
WHAT WE OWE	2017	2018
Long-term Obligations	89,878,791	91,408,395
Less-Payments When Due	<u>(51,777,561)</u>	<u>(54,393,798)</u>
Balance Due and Principal	38,101,230	37,014,597
Accounts Payable for Power, Materials, Supplies, Etc.	2,301,738	3,734,179
Deferred Credits	<u>2,908,244</u>	<u>2,945,786</u>
TOTAL LIABILITIES	43,311,212	43,694,562
Membership Fees	172,715	175,155
Patronage Capital and Other Equities	<u>36,658,707</u>	<u>39,824,264</u>
TOTAL NET WORTH	36,831,422	39,999,419
TOTAL LIABILITIES AND NET WORTH	80,142,634	83,693,981

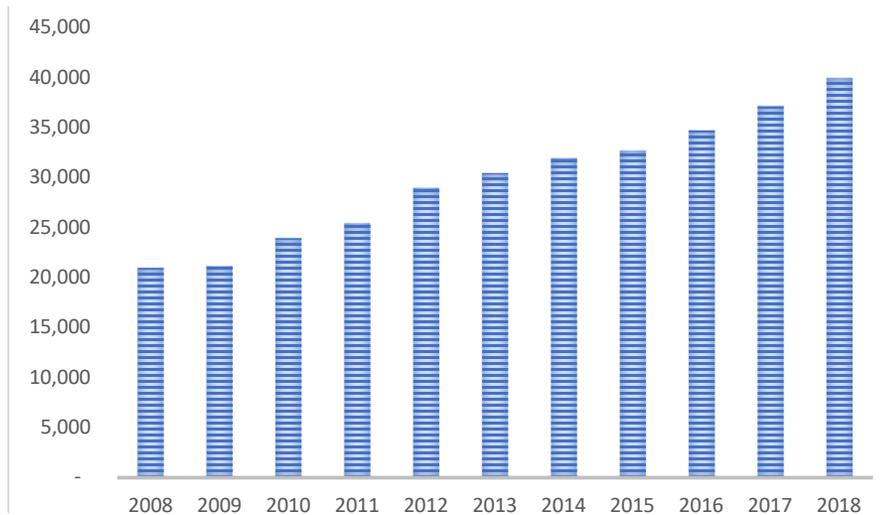
Assets

In Thousands of Dollars - Last Ten Years



Equity

In Thousands of Dollars-Last Ten Years



Comparative Statement

INCOME				
WHERE IT CAME FROM	%	2017	%	2018
Electricity Sales	91.7%	23,484,637	91.9%	27,602,971
Service Charges & Other Revenue	2.0%	523,525	1.8%	509,294
Nonoperating and Interest	6.3%	<u>1,603,878</u>	6.3%	<u>1,930,020</u>
Total Income	100.0%	25,612,040	100.0%	30,042,285

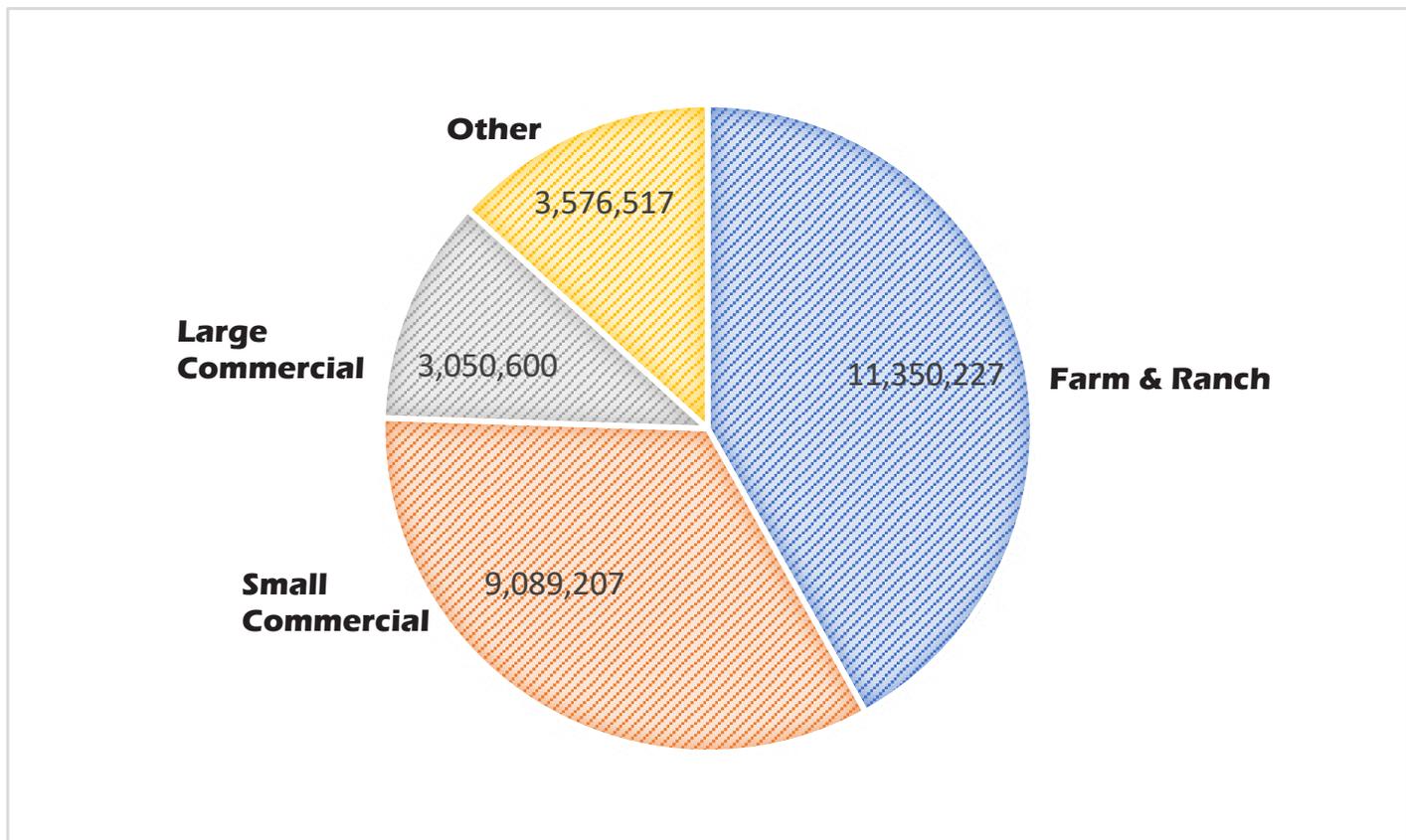
EXPENSES				
WHERE IT WENT	%	2017	%	2018
Purchased Power	55.0%	14,078,273	55.0%	16,516,060
Operating & Maintaining	20.5%	5,255,629	19.4%	5,831,405
Depreciation Expense	9.6%	2,461,845	8.2%	2,466,341
Interest on Long-Term Debt	6.6%	<u>1,700,463</u>	5.7%	<u>1,699,211</u>
TOTAL EXPENSES		23,496,210		26,513,017

Margins	8.3%	<u>2,115,830</u>	11.7%	<u>3,529,268</u>
		25,612,040		30,042,285

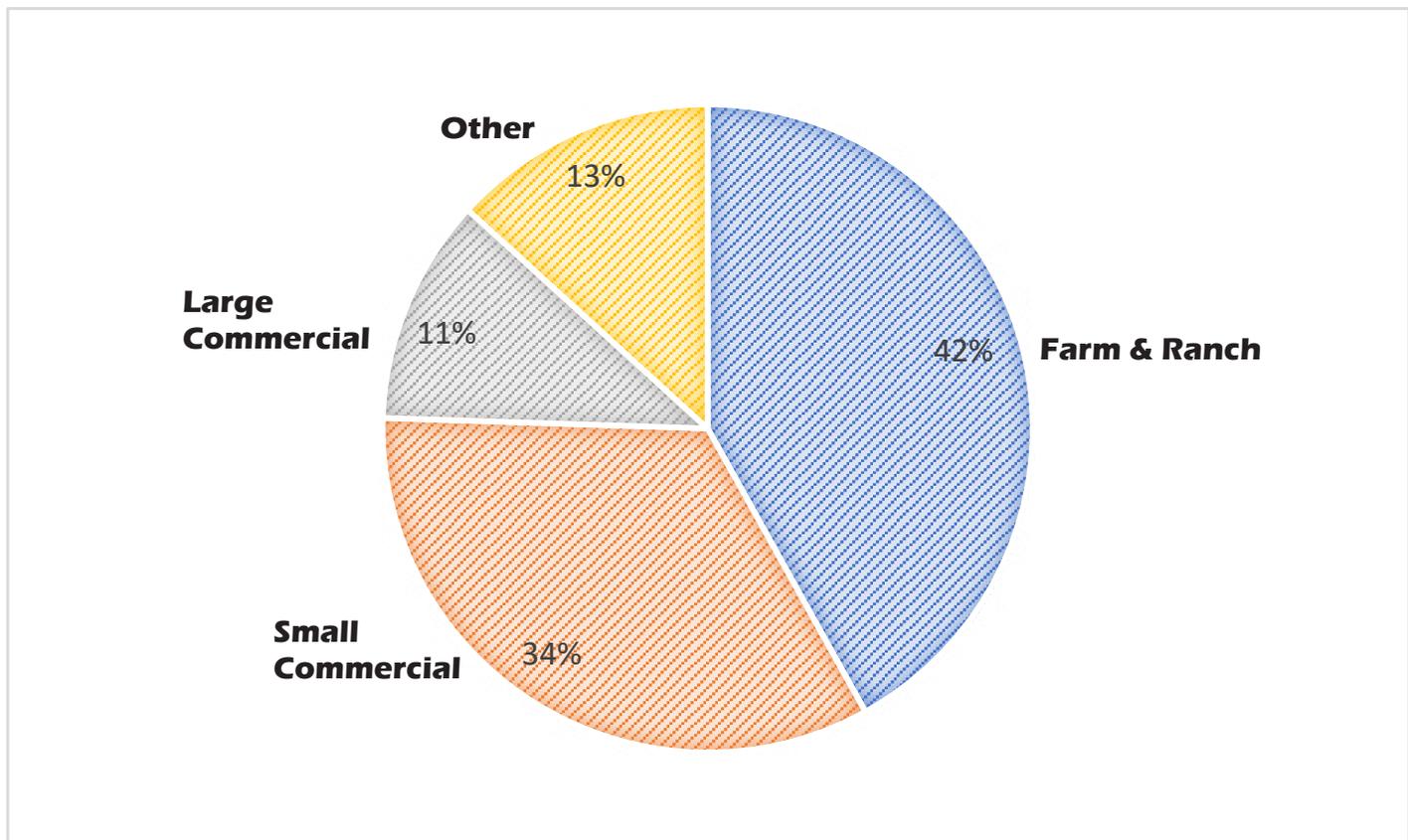
Comparative Statistics

	2017	2018
KWh Purchased	259,517,813	299,194,677
Cost of Power Purchased	\$14,078,273	\$16,516,061
KWh Sold	242,280,094	280,337,592
KWh Billing	\$23,484,637	\$27,736,620
Average Bill	\$115.94	\$135.48
Miles Energized	4,967	4,981
Meters Connected	16,880	17,061
Average KWh Used	1,196	1,369
New Services Connected	237	324
Miles of New Construction	6.15	19.61
Man-hours Worked	97,026	100,342
Employees	44	46
Miles Driven by Cooperative Vehicles	478,854	491,506
Hours Lost Due to Accidents	-	-
Number Lost-time Accidents	-	-
Hours Worked Since Last Lost-time Accident	355,135	455,476

Where Your Revenue Came From in 2018

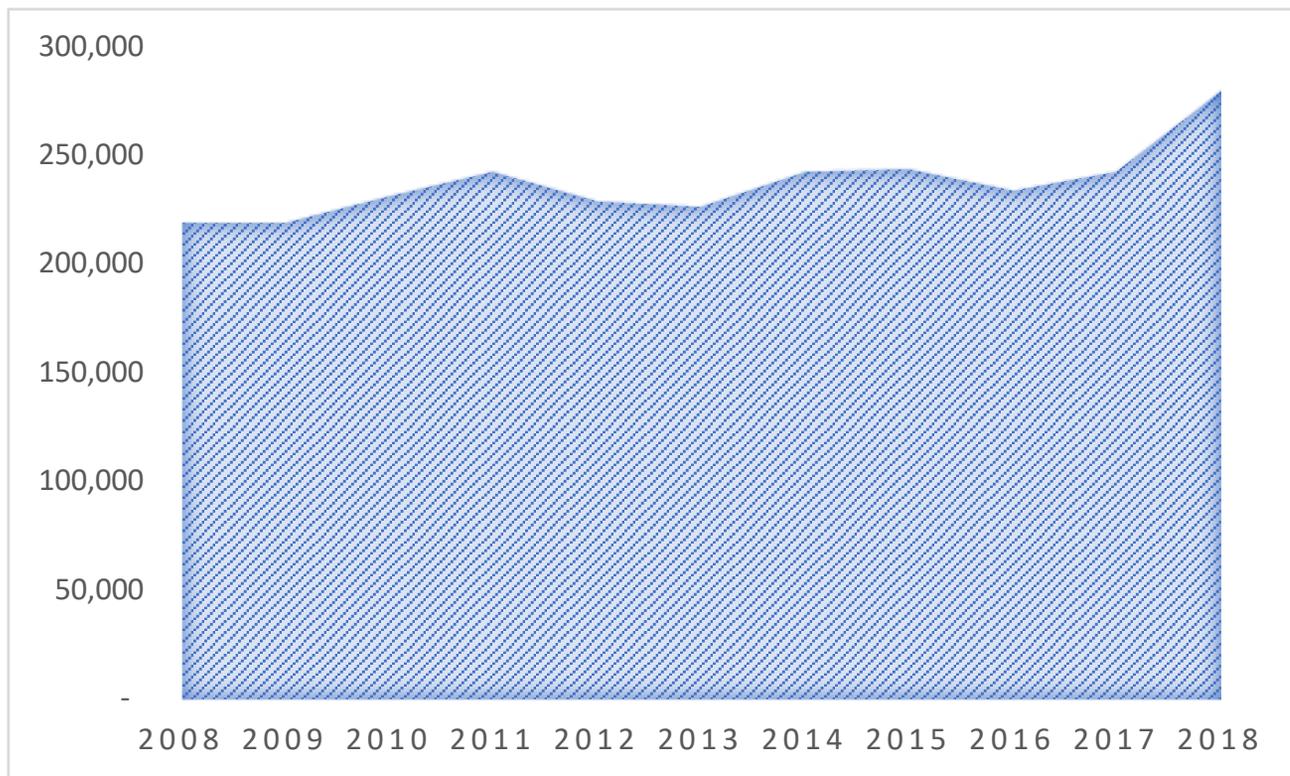


Where Your Revenue Went in 2018

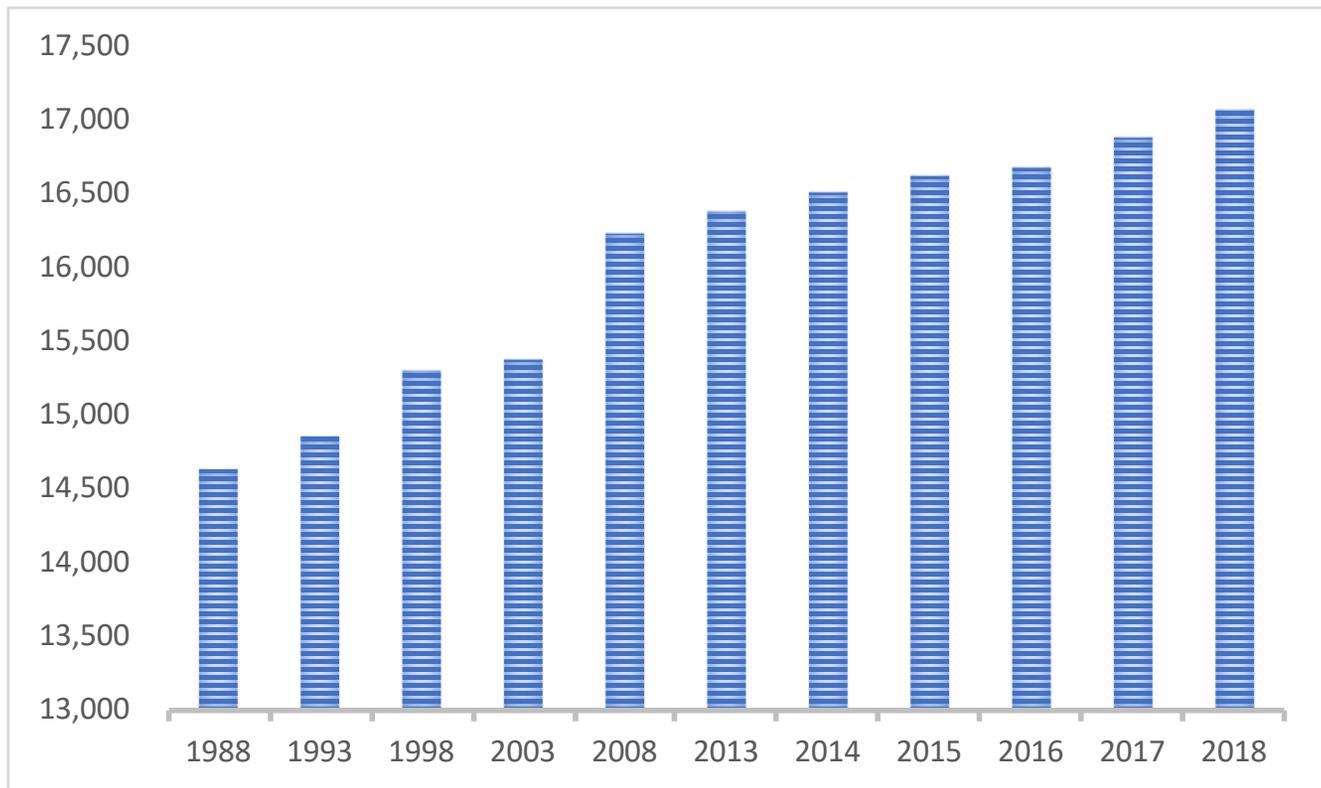


KWH Sales

In Thousands - Last Ten Years



Meters Connected



Your CECA Employees

37 Years
EDDIE STRUBE

Director of Outside Operations

36 Years
LARRY MORGAN

District Foreman

BOBBY REED

1st Class Lineman

32 Years
LARRY HATLEY

Safety Coordinator

29 Years
KELLIE DETERS

Director of Finance & Office Services

SHIRLEY DUKES

Communications/Public Information
Specialist

23 YEARS
KENDALL KEITH

1st Class Lineman

JIM LESTER

Engineering/Mapping Supervisor/
Dispatch

21 Years
ALAN LESLEY

General Manager

TIMOTHY PALLETTE

1st Class Lineman

20 Years
JENNIFER HANSON

Dispatch/System Operator

SHELLEY THEDFORD

Billing Supervisor/Collection Officer

19 Years
PAM MCCLAIN

Dispatch

18 Years
CHAD NEWMAN

Grounds Maintenance

17 Years
ORACIO LOPEZ

Service Lineman

TOMMY PATTERSON

Meter Technician

16 Years
KEITH STEWARD

Lineman/Power Quality

14 Years
BRANDON COOK

1st Class Lineman

DALE OGLE

Shop

13 Years
CHAD FOREMAN

Director of IT

12 Years
GUY CLAWSON

Staking Technician

RACHEL FORD

HR Specialist/Benefit Admin

JUSTIN RILEY

Working Crew Foreman

SCOTT RUTLEDGE

1st Class Lineman

ADAM TALLY

Service Lineman

9 Years
DAVID CISNEROZ

PC Specialist

TOMMY HESBROOK

1st Class Lineman

7 Years
**ELIZABETH
WEATHERMON**

Assistant Accountant

6 Years
JAKE SCHWARTZ

Service Lineman

5 Years
RYAN HARRIS

1st Class Lineman

**BRANDON KIDWELL
SHANE KINNAMON**

Dispatch

4 Years
RILEY HILLIARD

Member Service Representative

MARIZA MARTINEZ

Accounting Clerk

3 Years
MIRNA HERNANDEZ

Customer Service Representative

2 Years
MARISOL FLIGHT

Customer Service Representative

**NIC ZAVALA
TRENT TAYLOR
KLAY STRICKLAND
MATTHEW MAJORS**

3rd Class Lineman

1 Year or Less
CLAYTON BOONE

PC Support Analyst

MAEGAN CAFFEY

Customer Service Rep

**DEREK MAY
TRENDRON MORIN
JAYDEN PIERCE**

Apprentice Lineman

OVER THE YEARS, the cooperative has attracted and kept employees who are loyal and dedicated to the work of bringing dependable electric service to the members. We have some employees with many years of experience and expertise, some who have fewer years of experience and are training for additional responsibilities and some who are just beginning. Employees listed represent 579 years of experience.

Employee Service Awards

20 Years

Jennifer Hanson

Jennifer began her career with CECA in 1999 as a Staking Technician, followed by a stint as dispatcher, and is currently in the new construction department.

She was raised in the community of May, TX and currently lives in the community of Harmony with her husband Marty on his family's farm. She enjoys drawing and acrylic painting in her spare time.



Shelley Thedford

Shelley began her career in 1999 as a cashier and is currently the Billing Supervisor for CECA. She and her husband Jason live in the Hasse Community. Shelley enjoys working in her yard and spending time with her family and grandchildren.

5 Years

Ryan Harris

Ryan is a 1st Class Lineman working out of our Eastland office. He and his wife Karey have one son, Hayes. In his free time Ryan enjoys hunting, fishing and kayaking.



Shane Kinnamon

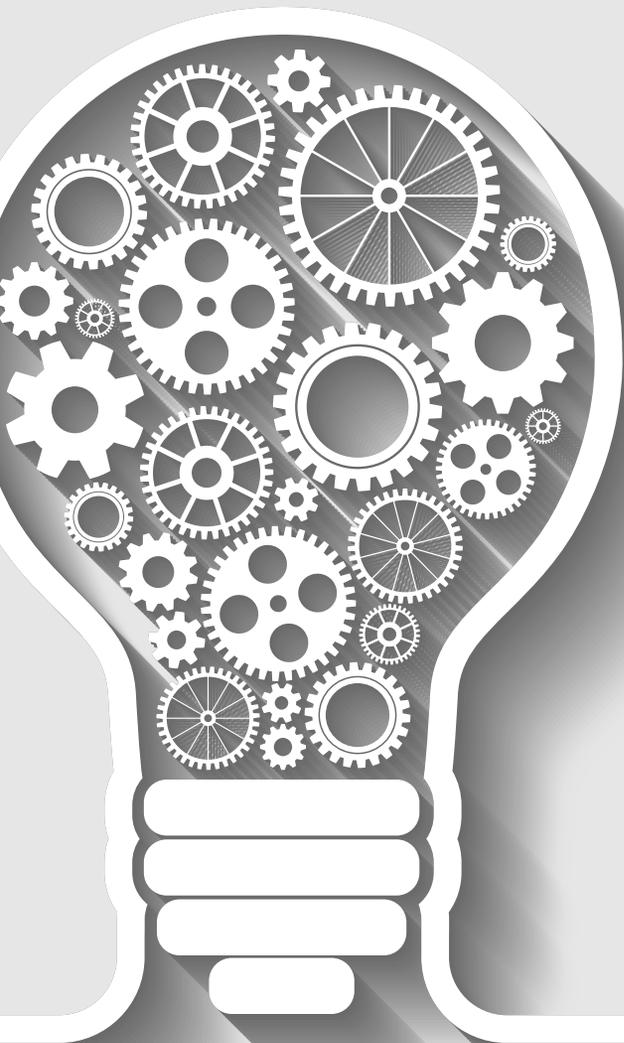
Shane is the daytime dispatcher for CECA. He and his wife Charity have three sons-William, Seth and Alex, plus Shane's brother Justin. Shane enjoys spending time with his family in the outdoors and being in the water.

5 Years



Brandon Kidwell

Brandon began his career with CECA in 2014, and is currently working as a Dispatcher. Brandon and his wife Jennifer have 3 children: Danny, age 12; Ryan, age 6; and Everly, 7 months. Brandon enjoys playing golf, fishing, and coaching his kids in their various sports.



BYLAWS

With Revisions Through 2015

COMANCHE COUNTY ELECTRIC COOPERATIVE ASSOCIATION
Serving Comanche, Eastland, Brown, Stephens, Callahan, Shackelford and Mills Counties

BYLAWS
Includes June 2015 Revisions

The aim of Comanche County Electric Cooperative Association (hereinafter called the "Cooperative") is to make electric energy available to its Members at the lowest cost consistent with sound economy and good management. The rules of procedure for the Cooperative strictly adhere to Robert's Rule of Parliamentary Procedure.

ARTICLE 1
MEMBERS

Section 1.1 QUALIFICATIONS AND OBLIGATIONS.

Any person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision thereof, or any body politic may become a Member of the Cooperative by:

- 1) making written application for membership therein;
- 2) paying the membership fee hereinafter specified;
- 3) agreeing to purchase from the Cooperative electric energy as hereinafter specified; and
- 4) agreeing to comply with and be bound by: a) the Articles of Incorporation of the Cooperative; b) these Bylaws; c) the Cooperative's service rules and regulations; d) the Cooperative's rate or price schedules; and e) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board of Directors ("Board").

No person or entity may own more than one (1) membership in the Cooperative.

A husband and wife may jointly become a Member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this Section, provided the husband and wife comply jointly with the provisions of the above subdivisions 1), 2), 3), and 4), unless otherwise specified.

Membership List. The Cooperative shall maintain a record of current Members in a form permitting the Cooperative to alphabetically list the names and addresses of all Members ("Membership List"). Except as otherwise provided in these Bylaws, the Cooperative will not release, disclose, or disseminate personally identifiable, proprietary, or confidential

information regarding a Member.

Except as otherwise provided in these Bylaws or by the Board in advance and in writing, a Cooperative membership, and a right or privilege associated with the Cooperative membership, may not be sold, purchased, assigned, disposed of, acquired, or otherwise transferred.

Section 1.2 MEMBERSHIP FEE.

The membership fee and agreement for electric service shall be specified in the tariff of the Cooperative as approved by the Board. Upon payment of such fee and signing the service agreement, as well as such other fees, contributions and deposits as may be required by the tariff of the Cooperative, the Members shall be eligible for a service connection.

Section 1.3 PURCHASE OF ELECTRIC ENERGY.

Each Member shall, as soon as electric energy shall be available, purchase from the Cooperative electric energy purchased for use on the premises specified in his, her, or its application for membership, and shall pay therefore at rates which shall from time to time be fixed by the Board.

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 Board.

It is expressly understood that amounts paid for electric energy in excess of the cost of services shall be considered furnished by Members as capital, and each Member shall be credited with the capital so furnished as provided by these Bylaws. Each Member shall also pay all amounts owed to the Cooperative as and when the same shall become due and payable.

Interruption of Cooperative Service. The Cooperative shall provide Cooperative services to Members in a reasonable manner. The

Cooperative, however, does not insure, guarantee, or warrant that it will provide adequate, continuous, or non-fluctuating electric energy or other Cooperative Services. The Cooperative is not liable for damages, costs, or expenses, including attorney fees or legal expenses, caused by the Cooperative providing inadequate, non-continuous, or fluctuating electric energy or other Cooperative service, unless the damages, costs, or expenses are caused by the Cooperative's gross negligence or willful misconduct. The Cooperative's responsibility and liability for providing a Cooperative service terminate upon delivery of the Cooperative service to a Member.

Safe and Protected Operation of Cooperative. A Member shall take or omit an act required by the Cooperative to safely, reliably, and efficiently operate the Cooperative and provide a Cooperative service, which act involves:

- 1) a location occupied by the Member and to or for which the Cooperative provides a Cooperative service;
- 2) real or personal property in which the Member possesses a legal or equitable right or interest ("Member Property");
- 3) Cooperative equipment; or
- 4) Member equipment connected to Cooperative Equipment. A Member shall: 1) protect Cooperative equipment and Member equipment connected to Cooperative equipment; and 2) install and maintain a protective device, and implement and follow a protective procedure, required by the Cooperative. As necessary to safely, reliably, and efficiently operate the Cooperative and provide a Cooperative Service, the Cooperative may temporarily suspend or terminate provision of a Cooperative service. A Member shall not tamper with, alter, interfere with, damage, or impair Cooperative equipment. Except as otherwise provided by the Board, the Cooperative owns all Cooperative equipment.

Grant of Property Rights. As required by the Cooperative for a Cooperative purpose, a Member shall: 1) provide the Cooperative safe and reliable access to or use of Member Property; and 2) pursuant to terms and condition specified by the Cooperative, and without compensation from the Cooperative, grant or convey to the Cooperative a written easement, right-of-way, license, or other right or interest in Member Property, and execute a document regarding this grant or conveyance.

A "Cooperative Purpose" is, at any time:

- 1) purchasing, installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading, or replacing Cooperative Equipment or Member Equipment connected to Cooperative Equipment;

- 2) providing a Cooperative service to a Member or one (1) or more other Members;
- 3) monitoring, measuring, or maintaining a Cooperative service provided to a Member or one (1) or more other Members; and
- 4) reasonably necessary to satisfy or facilitate another entity's use of Cooperative Equipment for the public good.

Section 1.4 NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.

The private property of the Members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no Member shall be individually liable or responsible for any debts or liabilities of the Cooperative as a result of membership alone.

Section 1.5 TERMINATION OF MEMBERS.

Suspension or Termination of Cooperative Services. After providing a Member reasonable notice and an opportunity to comment orally or in writing, the Cooperative may suspend or terminate the provision of a Cooperative service to the Member for a suspension reason. Without providing a Member notice or an opportunity to comment, the Cooperative may suspend or terminate the provision of a Cooperative service to the Member upon determining or discovering:

- 1) that Cooperative equipment used to provide the Cooperative service has been tampered with, altered, interfered with, damaged, or impaired;
- 2) that Member equipment connected to Cooperative equipment adversely impacts the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or provide a Cooperative service;
- 3) the unsafe condition of Cooperative equipment or Member equipment connected to Cooperative equipment; or
- 4) an imminent hazard or danger posed by Cooperative equipment or Member equipment connected to Cooperative equipment.

As requested by the Cooperative, a Member shall: 1) submit a claim or dispute between the Member and the Cooperative regarding the Governing Documents, the Cooperative's provision of a Cooperative service, or the Member's use of a Cooperative service to mediation; and 2) indemnify the Cooperative for, and hold the Cooperative harmless from, liabilities, damages, costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by a Cooperative Director, Officer, employee, agent or representative ("Cooperative Official"), and caused by the Member's negligence, gross negligence, or willful misconduct, or by the unsafe or defective condition of a location

occupied by the Member.

Section 1.6 WITHDRAWAL OF MEMBERSHIP.

Any Member may withdraw from membership upon payment in full of all debts and liabilities of such Member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may reasonably prescribe.

Section 1.7 TRANSFER AND TERMINATION OF MEMBERSHIP.

In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the Member the amount of the membership fee paid, provided however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the Member to the Cooperative.

When a membership is held jointly by a husband and wife, upon the death of either such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the Joint Membership Certificate may be surrendered by the survivor and upon the recording of such death on the books of the Cooperative the certificate may be reissued to and in the name of such survivor, provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

Section 1.8 MEMBER'S NOTICE OF BYLAWS.

Each Member of the Cooperative is presumed to have knowledge of these, the Cooperative's Bylaws, a copy of same, with amendments thereto, having been delivered to each such Member.

ARTICLE 2 MEETINGS

Section 2.1 ANNUAL MEETINGS.

The Annual Meeting of Members shall be held at such time during each month of October as the Board of Directors may direct and such meeting shall be held at Comanche, Texas, unless otherwise specified by the membership at the Annual Meeting, in which case, the next succeeding Annual Meeting shall be held any place within the territorial service area served by the Cooperative, as may be decided by the membership, for the purpose of electing Directors, passing upon reports of the previous fiscal year and transacting such other business as may come before the meeting.

If election of Directors should not be held upon the day designated or determined for annual meeting, or before adjournment thereof, then the

Board of Directors shall cause such election to be held at a special meeting of the Members within sixty (60) days thereafter. Failure to hold an annual meeting at the designated time or any irregularity in the holding thereof shall not work a forfeiture or dissolution of the Cooperative and shall not void matters taken up and disposed of at such meeting; however, such matters are voidable upon a reasonable showing of resultant harm to any Member.

At the Annual Member Meeting: 1) the President shall provide a written and/or oral report regarding the activities of the Cooperative; and 2) the Treasurer shall provide a written and/or oral report regarding the financial condition of the Cooperative.

Agenda, Attendance, and Action at Member Meetings. Except as otherwise provided in these Bylaws, before or at an Annual, Regular, or Special Member Meeting ("Member Meeting"), the Board:

- 1) shall determine the agenda, program, or order of business for the Member Meeting;
- 2) may limit attendance at the Member Meeting to Members; and
- 3) may exercise power reasonably necessary for efficiently and effectively conducting the Member Meeting.

Except as otherwise provided by the Board before or at a Member Meeting, Members attending the Member Meeting may consider, vote, or act only upon a matter described in the notice.

Section 2.2 SPECIAL MEETINGS.

Special meetings of the Members may be called by the President, by the Board of Directors, or by a majority thereof, by a petition signed by not less than one-tenth (1/10) of all Members or such other Officers or persons as may be provided in the Articles of Incorporation or Bylaws, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the Members may be held at any place within the territorial area served by the Cooperative, as shall be specified in the notice of the special meeting.

Anything herein to the contrary notwithstanding, should circumstances transpire so that an insufficient number of Board Members remain to call a special meeting, then and in that event a special meeting can be called by either the attorney for the Cooperative or by the Chief Financial Officer of the Cooperative, with the same notice provisions as those provided for any special meeting.

Section 2.3 NOTICE OF MEMBERS' MEETING.

Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more

than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each Member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at his, her, or its address as same appears on the records of the Cooperative, with postage thereon prepaid. 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 such meeting.

Section 2.4 QUORUM.

At least one hundred fifty (150) of the Members present in person shall constitute a quorum for the transaction of business at all annual meetings. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice.

If less than the Member Quorum are present in person at a Member Meeting, then a majority of Members attending the Member Meeting in person may adjourn the Member Meeting to a date no more than ninety (90) days following the original Member Meeting.

Section 2.5 VOTING.

For the purpose of voting, each Member of the Cooperative shall be entitled to one (1) vote, upon each matter submitted to a vote at a meeting of the Members. At all meetings of the Members at which a quorum is present, all questions shall be decided by a vote of a majority of the Members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these Bylaws. In case of a joint membership, either the husband or wife may vote, but only one may vote.

- 1) No person or entity shall have the right to vote at any meeting unless such person or entity is then a Member and is paying at least a minimum bill.
- 2) Ballots may be received from Members voting in person or by mail if authorized by the Board of Directors.
- 3) At the annual meeting of the membership, the President shall appoint three (3) persons to serve as election judges, who shall be competent and trustworthy Members of this Cooperative, but not an Officer or Director thereof, who shall be charged with the duty of conducting the election of Directors or other matters being voted on and certifying the results thereof, and who shall be responsible for the conduct of the election and the preservation of the ballots.

The election judges so appointed shall have the authority to appoint such persons as they may deem necessary for the purpose of

counting the ballots.

All ballots shall be placed and stored in a substantial metal box, securely locked, and shall remain in the custody of said election judges until said ballot box shall be ordered to be emptied by the Board of Directors. Should no contest of the election and no question as to its validity be raised within thirty (30) days from the date of the election, then the election judges shall turn said ballot box over to the Board of Directors and the Board of Directors shall cause said ballot box to be emptied and its contents destroyed.

At a Member Meeting, the individual presiding over the member vote may require the members to vote by voice. If the individual presiding over the Member vote determines, in good faith, that a voice vote is not sufficient to accurately determine the vote results, then the Members shall vote by written ballot, or by any other reasonable manner determined by the individual presiding over the Member vote. Members may not cumulate votes.

Section 2.6 NO PROXIES.

Members shall vote in person or by mail-in ballot if authorized by the Board of Directors at the Annual Meeting. No Proxy voting shall be allowed.

Section 2.7 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 essentially as follows:

- 1) Report on number of Members present in person or voting by mail-in ballot if authorized by the Board of Directors in order to determine the existence of a quorum. Persons voting by mail shall be counted as present.
- 2) Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- 3) Reading of unapproved minutes of previous meetings of the Members and the taking of necessary action thereon.
- 4) Presentation and consideration of, and acting upon, reports of Officers, Directors and committees.
- 5) Election of Directors.
- 6) Unfinished business.
- 7) New business.
- 8) Adjournments.

Section 2.8 COMPLAINTS, CONTEST AND PROTESTS.

The Board of Directors of this Cooperative is hereby declared to be the judge of the election and qualifications and tenure of the Members of said Board of Directors, subject only to the provisions of Section 2.5, of these Bylaws. Any Member of this Cooperative, hereafter desiring to complain of any irregularity in any election of any of the Members of said Board of Directors, or to contest any such election, shall file his complaint or protest with the Secretary within ten (10) days from the date of said election. Any such complaint or protest in connection with an election, or any complaint or protest against the management of said election, or similar complaint, shall be made in writing and shall state clearly and concisely the grounds for such complaint, contest, or protest. It shall be signed by the complainant and sworn to by the complainant before a Notary Public or other Officer qualified to administer oaths. Such complaint shall also set forth a list of the names and residences of the witnesses, if any, who will testify in support of such complaint, contest, or protest.

Upon receipt of such complaint, contest, or protest, the Secretary shall present same to the Board of Directors at its next regular or special meeting, whereupon the Board of Directors shall set a time and place for the hearing of such complaint, contest, or protest. It shall summon and request the witnesses named in such complaint, contest, or protest to appear before it at such meeting, and may summon such other witnesses as in the discretion of the Board are necessary. Said witnesses shall be placed under oath by an Officer authorized to administer oaths, and their testimony shall either be taken down by a shorthand reporter, or a brief written statement of same made and subscribed by the witnesses.

The Board of Directors as a whole shall conduct the hearing and consider the evidence. The Counsel for the Cooperative shall attend such meeting and shall conduct the questioning of the witnesses on behalf of the Board. The person or persons against whom the complaint, contest, or protest is directed shall have the right to be present at the meeting, in person or by counsel, and shall have the right to present witnesses in his, her or its behalf, and shall have the right to examine and/or cross-examine all witnesses.

After a full hearing of the complaint, contest, or protest, the Board of Directors shall weigh and consider all evidence presented, and shall take such action upon such complaint, contest, or protest as may be justified by the evidence presented, in the opinion of said Board of Directors

ARTICLE 3 DIRECTORS

Section 3.1 GENERAL POWERS.

The business and affairs of the Cooperative shall be managed by a Board of seven (7) Directors which shall exercise all the powers of the Cooperative or by these Bylaws not conferred upon or reserved exclusively to the Members.

Except as otherwise provided in these Bylaws: 1) Cooperative powers must be exercised by the Board, or under the Board's authority; and 2) Cooperative affairs must be managed under the Board's direction.

Section 3.2 QUALIFICATIONS AND TENURE.

- (a) No Member shall be eligible to become or remain as Director or to hold any position of trust in the Cooperative who is not 1) a bona-fide resident in the area served by the Cooperative; 2) receiving electric service from the cooperative at their primary residence; or 3) who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative or a business primarily engaged in selling electrical or plumbing appliances, fixtures, or supplies to the Members of the Cooperative; and 4) no person shall take or hold office as a Director who is the incumbent or elected to public office in connection with which a salary is paid.
- (b) When a membership is held jointly by a husband and wife, either one, but not both, may be elected a Director, provided, however, that neither one shall be eligible to become or remain a Director or to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth except that the spouse is not required to be a residence of the area served by the Cooperative. Nothing contained in this section shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.
- (c) No employee or former employee shall be eligible to serve as Director until fifteen (15) years have elapsed from date of termination or retirement of employment.

Section 3.3 DISTRICTS PLAN.

Districts Described. The territory served or to be served by the Cooperative shall be divided into seven (7) Districts, and each District shall be represented by one (1) Director who is a resident of that District. Said seven (7) Districts shall be as follows:

- | | |
|--------------|--|
| District 1 - | Comanche County (Highway 16 north of Comanche, thence east to Highway 36). |
| District 2 - | Comanche County (Highway 36 east from Comanche, thence south and west to |

District 3 -	Highway 36). Comanche County (Highway 36 northwest from Comanche thence east to Highway 16).
District 4 -	Mills County plus that portion of Brown County south of Highway 67 and including that portion of Brown County west or south of Pecan Bayou.
District 5 - or north of Pecan Bayou.	Brown County north of Highway 67 and east
District 6 -	Eastland and Callahan counties less that portion of Eastland County east or north of Highway 6.
District 7 -	Stephens and Shackelford counties plus that portion of Eastland County east or north of Highway 6.

Not less than seventy (70) nor more than ninety (90) days before the annual meeting of the Members in each year for the election of Directors, the board of Directors shall review the composition of the several Districts and if it should be found that inequalities in representation have developed which can be corrected by a re-delineation of Districts or by the addition of Districts, the board of Directors shall reconstitute the Districts.

Director Terms. A Director's term begins: 1) after the individual consents to being elected or appointed as a Director; and 2) at the beginning of the first Board Meeting held after the Director is elected or appointed. A Director's term ends after: 1) a successor Director consents to being elected or appointed as a Director; and 2) at the beginning of the first Board Meeting held after a successor Director is elected or appointed. Directors' terms shall be three (3) years. Directors shall be elected on a staggered-term basis.

Director Resignation. A Director may resign at any time. To resign, a Director must sign and deliver a written notice of resignation to the Board, President, or Secretary. Except as a later date is otherwise provided in a written notice of resignation, a Director's resignation is effective when the Board, President, or Secretary receives the written notice of resignation. If a Director's resignation is effective at a later date and if the successor Director does not take office until the effective date of the Director's resignation, then the pending Director vacancy may be filled before the effective date of the Director's resignation.

Nomination of Directors. Not less than thirty (30) nor more than ninety (90) days before the annual meeting of Members for the election of Directors, the Board of Directors shall call a meeting or meetings of the Members of such Districts as are to have vacancies for Director, such meetings to be held not less than twenty (20) days prior to the annual meeting of the Members at suitable places in the Districts affected.

The purpose of the District meetings shall be to nominate, by vote of those Members present in person, no more than two candidates for each vacancy occurring on the Board of Directors. Notice of each District meeting of Members shall be given by the Secretary for such length of time and in such manner as the Board of Directors may direct provided that a written notice stating the place, day and hour and the purpose of such meeting, shall be published in a publication, not less than ten (10) days prior to such District Meeting. Such District Meetings however, shall be open for discussion of any other matters pertaining to the business of the Cooperative, regardless of whether or not such matters were listed in the notice of the meeting, and recommendations with respect thereto may be submitted to the Board of Directors.

The first order of business at each District Meeting shall be the selection of a Chairman, who shall appoint a Secretary to act for the duration of the meeting. Fifteen (15) of the Members residing in the District present at such duly called District Meeting shall constitute a quorum, but in the event a quorum is not present at such meeting, the Director then serving such District shall be the official nominee for such District. Nominations for Director may be made from the floor at the annual meeting and any Member residing in the District shall have the right to nominate one candidate which must be seconded by a Member from that District. The meeting shall remain open for nominations until no further nominations are forthcoming, but in no case more than five minutes. Candidates must be Members residing in the District and must possess the qualifications for Director specified in Section 3.2 of the Cooperative's Bylaws.

Voting shall be in person only. Mail-in ballot and proxy voting shall not be permitted at any District Meeting. Each Member present may vote for one nominee as above provided for such District. The two candidates for each place on the Board of Directors receiving the highest number of votes shall be the official nominees of the District. The minutes of such District meeting shall set forth, among other matters the name of each person nominated at the meeting and the number of votes received by each, and shall certify the two nominees receiving the highest number of votes as the official nominees of the District for Director. A certified copy of the minutes, signed by the Secretary and the Chairman of the District Meeting, shall be delivered to the Secretary of the Cooperative within five (5) days after such District Meeting.

The Secretary of the Cooperative shall prepare and post at the principal office of the Cooperative at least fifteen (15) days before the meeting of Members for the election of Directors, a list of nominations for Directors as shown by said certified copies of minutes of said District Meetings. The secretary shall mail with the notice of the meeting of the Members for election of Directors, or separately, but at least ten days prior to the meeting, a statement of the number of Directors to be elected and showing separately the nominations made by the respective Districts.

Section 3.4 DIRECTOR DISQUALIFICATIONS.

After being elected, designated, or appointed, if a Director does not comply with all General Director Qualifications, Membership Director Qualifications, and Conflict of Interest Director Qualifications (collectively, “Director Qualifications”), then, except as otherwise provided by the Board for good cause, the Board shall disqualify the Director and the individual is no longer a Director if:

- 1) the Board notifies the Director in writing of the basis for, and provides the Director an opportunity to comment regarding, the Board’s proposed disqualification; and
- 2) within thirty (30) days after the Board notifies the Director of the proposed disqualification, the Director neither complies with nor meets the Director Qualification.

If a majority of Directors authorized by these Bylaws complies with the Director Qualifications and approves a Board action, then the failure of a Director to comply with the Director Qualifications does not affect the Board action.

Section 3.5 MEMBER’S REMOVAL OF DIRECTORS AND OFFICERS.

Any Member may bring a removal action against an Officer or Director by filing charges of misconduct, in writing with the Secretary, together with a petition signed by ten percent (10%) of the Members, requesting the removal of the Officer or Director in question. The removal action shall be voted on at the next regular or special meeting of the Members and any vacancy created by removal may be filled by the Board at it’s the next regular meeting. The Director or Officer against whom such removal action has been brought shall be informed in writing of the charges of misconduct at least forty-eight (48) hours prior to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence and the person or persons bringing the charges against him shall have the same opportunity. An affirmative vote of two-thirds (2/3) of the Members attending the meeting shall be required for the removal of the Officer or Director.

Section 3.6 DIRECTOR ABSENCES.

Any Director absent for three (3) consecutive regular meetings of the Board of Directors without legitimate excuse acceptable by the majority of the remaining Directors shall be automatically suspended from serving on the Board of Directors, subject to reinstatement by unanimous consent of the remaining Directors, provided however, such reinstatement must become effective before a new Director shall have been appointed or elected.

Section 3.7 DIRECTOR RESIGNATION.

A Director of the Cooperative may resign his or her seat at any time, effective immediately, or at such time as he or she may designate upon notice of such resignation given in writing or in open meeting of the Board of Directors. Any such vacancy so created shall be filed in accordance with these Bylaws.

Section 3.8 VACANCIES.

Director Vacancy. Except as otherwise provided in these Bylaws:

- 1) by an affirmative vote of the majority of the remaining Directors and within two (2) months of a Director position becoming vacant, the Board shall fill the vacant Director position; and
- 2) a Director elected or appointed by the Board to fill a vacant Director position must comply with the Director Qualifications.

Director vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining Directors and Directors thus elected shall serve for the full unexpired portion of the vacating Director’s term.

Section 3.9 COMPENSATION.

Directors as such shall not receive any salary for their services, but by resolution of the Board of Directors a fixed sum and expense of attendance, if any, may be allowed for attending a:

- 1) Board Meeting;
- 2) function, meeting, or event involving or relating to the Cooperative; or
- 3) function, meeting, or event involving, relating to, or reasonably enhancing the Director’s ability to serve in, the role of Director.

Director Standard Conduct. A Director is not deemed a trustee regarding the Cooperative or property held or administered by the Cooperative, including property potentially subject to restrictions imposed by the property’s donor or transferor. A Director shall discharge the Director’s duties, including duties as a Board Committee member: 1) in good faith; and 2) in a manner the Director reasonably believes to be in the Cooperative’s best interests.

Section 3.10 RULES AND REGULATIONS.

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

for the management, administration and regulation of the business and affairs of the Cooperative.

Section 3.11 ACCOUNTING SYSTEM AND REPORTS.

The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to Members at the next following annual meeting.

Section 3.12 CHANGE IN RATES.

Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in rates charged by the Cooperative for electric energy becomes effective.

Section 3.13 PERSONNEL AND EMPLOYMENT.

In addition to all other power herein provided for, the Board of Directors shall have the power to adopt personnel, employment and tenure of office policies with reference to the employees of the Cooperative, as may be necessary or advisable to insure employment of proper personnel by the Cooperative and as may be necessary or advisable to insure reasonable working conditions and fair employment practices among and with such employees. This shall include the power to enter into employment contracts with managerial, supervisory, or professional employees for periods of time not exceeding two (2) years, together with the power to bargain collectively with employees, if same be required by the National Labor Relations Board.

ARTICLE 4 MEETINGS OF DIRECTORS

Section 4.1 REGULAR MEETINGS.

A regular meeting of the Board of Directors shall also be held monthly at such time and place as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 4.2 SPECIAL MEETINGS.

Special meetings of the Board of Directors may be called by the

President or any three (3) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them.

Section 4.3 NOTICE.

Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to each Director at his or her last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail properly addressed, with postage thereon prepaid. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except in a case where a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4.4 QUORUM.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting for another time without further notice.

Section 4.5 MANNER OF ACTING.

The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless otherwise specified by these Bylaws.

ARTICLE 5 OFFICERS

Section 5.1 OFFICER POSITIONS.

The Officers of the Cooperative shall be a President, Vice-President, Secretary and Treasurer. The offices of Secretary and Treasurer may be held by the same person.

A Required Officer must be a Director. Except as otherwise provided by Law, this Director may not execute, acknowledge, or verify a document in more than one capacity. Subject to removal by the Board, a Required Officer holds office until the Required Officer's successor is elected.

Section 5.2 ELECTION AND TERM OF OFFICE.

The Officers shall be elected annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Members. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient.

Each Officer shall hold office until the first meeting of the Board of Directors following the next succeeding Annual Meeting of the Members or until his or her successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of Officers.

Section 5.3 REMOVAL.

Any Officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby. Such removal shall be upon a majority vote of the Board of Directors.

Section 5.4 VACANCIES.

Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 5.5 PRESIDENT.

Except as otherwise provided by the Board or Members or these Bylaws, the President:

- 1) shall preside, or designate another individual to preside, at all Board and Member Meetings;
- 2) on the Cooperative's behalf, may sign a document properly authorized or approved by the Board or Members; and
- 3) shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the Board or Members.

Section 5.6 VICE-PRESIDENT.

In the absence of the President, or in the event of his or her 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 or her by the Board of Directors.

Section 5.7 SECRETARY.

Except as otherwise provided by the Board or Members or these Bylaws, the Secretary:

- 1) keep the minutes of the meetings of the members and the Board of Directors in one or more books provided for that purpose;
- 2) see that all notices are duly given in accordance with these Bylaws or as required by law;
- 3) 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;
- 4) keep a register of the post office address of each member which shall be furnished to the Secretary by such members;
- 5) have general charge of the books of the Cooperative in which a record of the members is kept;
- 6) keep on file at all times a complete copy of 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 forward a copy of the Bylaws and all amendments thereto to each member upon request; and
- 7) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Board of Directors.

Section 5.8 TREASURER.

The Treasurer shall, in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time be assigned to him or her by the Board of Directors.

Section 5.9 MANAGER.

The Board of Directors may appoint a Manager who may be, but who shall not be required to be, a Member of the Cooperative. The Manager shall perform such duties as the Board of Directors may from time to time require of him or her and shall have such authority as the Board of Directors may from time to time vest in him or her.

Section 5.10 BONDS OF OFFICERS.

At the Cooperative's expense, the Cooperative may purchase a bond covering a Cooperative Official or employee.

Section 5.11 COMPENSATION.

The powers, duties and compensation of any Officers, agents and employees shall be fixed by the Board of Directors.

Section 5.12 REPORTS.

The Officers of the Cooperative shall submit, at each annual meeting of the Members, reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

Section 5.13 INDEMNIFICATION FOR EXPENSES AND LIABILITY.

Every Director and Officer of the Cooperative who was wholly successful on the merits or otherwise, 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 or Officer of the Cooperative, whether or not he or she is a Director or Officer, at the time such expenses are incurred, to the maximum extent consistent with the provisions of 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 in the best interest of the Cooperative. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights of which such Director or Officer may be entitled.

Section 5.14 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, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a Director, Officer, employee or agent of any corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Cooperative would have the power to indemnify him or her against such liability under the provisions of this Article.

Section 5.15 CONTINUING OFFER, RELIANCE.

The provisions of this Article are for the benefit of, and may be enforced by, each Director and Officer of the Cooperative as a contract for valuable consideration and constitute a continuing offer to all present and future Directors and Officers of the Cooperative. The Cooperative, by the adoption of this Article agrees that each present and future Director and Officer 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 or Officer.

Section 5.16 EFFECT OF AMENDMENT.

No amendment, modification or repeal of this Article or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Director or Officer of the Cooperative to be indemnified by the Cooperative, nor the obligation of the Cooperative to indemnify any such Director or Officer, 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.

ARTICLE 6 CONTRACTS, CHECKS AND DEPOSITS

Section 6.1 CONTRACTS.

Except as otherwise provided in these Bylaws, the Board of Directors 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 6.2 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 by such Officer or Officers of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 6.3 DEPOSITS.

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

ARTICLE 8 PATRONAGE CAPITAL

Section 8.1 INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED.

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

patrons.

Section 8.2 PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY.

In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, Members and non-Members alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons, Members and non-Members alike, 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, Members and non-Members alike, as capital.

The amounts of such patron's capital credits are to be determined on an annual basis by dividing the amount transferred to the patronage Capital Account for each year by the total electric bills of those who were patrons of the Cooperative in that year and applying the resulting percentage factor to the electric bill of each such patron.

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 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 a fiscal year notify each patron of the amount of capital so credited to his, her, or its account. All such amounts credited to the capital account of any patron shall have the same status as though paid to the patron in cash pursuant to a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts of capital.

Consistent with this Bylaw, the allocation of Capital Credits is in the discretion of the Board and the Board must determine the manner, method, and timing of allocating Capital Credits. The Cooperative may use or invest unretired Capital Credits as determined by the Board.

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

may be retired in full or in part. Any such retirement of capital shall be made in a manner as specified by the Board of Directors for any respective year, adopted by an affirmative vote of two-thirds (2/3) of the membership of the Board of Directors and prescribing a policy for payment of capital credit on a basis consistent with the legal requirements for the payment of such capital credit. IN NO EVENT, HOWEVER, may any such capital be retired unless after the proposed retirement, the capital of the Cooperative shall be sufficient to meet the requirement of lending institutions and agencies.

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 of Directors, acting under policies of general application shall determine otherwise. In the event that a non-Member patron shall elect to become a Member of the Cooperative, the capital credited to the account of such non-Member patron may be applied by the Cooperative toward the payment of a membership fee on behalf of such non-Member patron.

Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any natural person who is a patron, if the legal representatives of his or her estate shall request in writing that the capital credited to any such deceased 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 deceased patron immediately upon such terms and conditions as the Board of Directors may designate. Estate Capital Credits will be subject to a four percent (4%) discount rate for up to twenty five (25) years.

The patrons 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 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 of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Section 8.3 PATRONAGE ON CAPITAL ACCRUED FROM AFFILIATES.

The treatment of Capital Credits from an entity or affiliate, to which the Cooperative is a member, is in the discretion of the Board of Directors and the Board must determine any manner, method, timing of allocating, and payment of such Capital Credits. The Cooperative may use or invest retired or unretired Capital Credits as determined by the Board.

Section 8.4 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 amounts 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: 1) used to offset any losses incurred during the current or any prior fiscal year as determined by the Board and 2) used to establish reserves and other capital not assignable to the patrons prior to the dissolution of the Cooperative.

ARTICLE 9 WAIVER OF NOTICE

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

ARTICLE 10 DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

- 1) property which in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Cooperative's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value of ten percent (10%) of the value of all the property of the Cooperative;
- 2) services of all kinds, including electric energy; and
- 3) personal property acquired for resale.

Unless, however, such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the Members by the affirmative vote of at least two-thirds (2/3) of the Members voting thereon at such meeting in person, and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the Members, 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 wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality or agency thereof, or to a national financing institution, organized on a cooperative plan for the purpose of financing its Member's programs, projects, and undertakings in which the Cooperative holds membership or to a federally insured State or Federally

chartered lending institution.

ARTICLE 11 FISCAL YEAR

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

ARTICLE 12 MEMBERSHIP IN OTHER ORGANIZATIONS

The Board of Directors shall have the power and authority on behalf of the Cooperative to purchase stock in or to become a Member of any corporation or cooperative organized for the purpose of furthering rural electrification or benefiting the Members. The Board of Directors shall exercise the voting rights in any corporation or cooperative in which stock or membership is held by the Cooperative.

ARTICLE 13 SEAL

The Corporate Seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Texas".

ARTICLE 14 AMENDMENTS

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

ARTICLE 15 USE OF ASSUMED NAME

The Cooperative may, by resolution of the Board of Directors adopted at a regular or special meeting of the Board of Directors resolve to operate under the assumed name of Comanche Electric Cooperative Association, Inc. and with the filing of Assumed Name Affidavit or Affidavits, as required by law, any acts done in such assumed name shall be the true and lawful act and deed of the Cooperative and shall be binding thereon.

ARTICLE 16 MISCELLANEOUS

Section 16.1 GOVERNING LAW.

These Bylaws must be governed by, and interpreted under, the laws of the State of Texas.

Section 16.2 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 Members, does not invalidate the remaining Bylaw Provisions.

Section 16.3 CUMULATIVE REMEDIES.

The rights and remedies provided in these Bylaws are cumulative. The Cooperative or a Member asserting a right or remedy provided in these Bylaws does not preclude the Cooperative or Member from asserting other rights or remedies provided by these Bylaws.

Section 16.4 WAIVER.

The failure of the Cooperative or a Member to assert a right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

STATEMENT OF NONDISCRIMINATION

Comanche County Electric Cooperative is the recipient of Federal financial assistance from the Rural Utilities Service, 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 regulation 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 in, 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 non-discrimination compliance efforts is the Human Resource 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, DC 20250; or the Administrator, Rural Utilities Service, Washington, DC 20250. Complaints must be filed within one hundred eighty (180) days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

