

# Excerpt of Bylaws for Directors of United Cooperative Services

## ARTICLE IV

**SECTION 4.02** Qualifications. To be eligible to become or remain a director of the Cooperative, a person: (i) must be of at least legal age required in Texas to contract and conduct business; (ii) must have been a Cooperative member in good standing for the previous twelve months; (iii) cannot be a close relative of an incumbent director, an employee, or a close relative of an employee of the Cooperative; (iv) must be receiving Cooperative Services at his primary residence located within the district he does or would represent; (v) while a director and during the three (3) years immediately prior to becoming a director cannot be employed by, control, serve as a director or officer of, or be financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative; (vi) cannot hold an elected public office in connection with which a salary is paid, unless in the board's determination such salary is de minimus; (vii) cannot previously have been convicted of or have plead guilty to (a) a felony or (b) a misdemeanor involving moral turpitude; and (viii) while a director, miss no more than three (3) consecutive regular meetings, except when such a failure to attend may be excused upon a showing of good cause as determined by the Board. For purposes of these bylaws, to be "financially interested" in an enterprise or business which is publicly traded, such interest must be ownership of more than 1% of the business or enterprise. No employee will be eligible to serve as a director of the Cooperative for a period of five (5) years after termination of employment with the Cooperative. Nothing in this Section 4.02 shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

**SECTION 4.03** "Close Relative" Defined. As used in these Bylaws, the term "close relative" shall be defined as an individual who (a) through blood, law, or marriage is a husband, wife, son, daughter, father, mother, brother, sister, son-in-law, daughter-in-law, mother-in-law, father-in-law, brother-in-law, sister-in-law, grandfather, grandmother, aunt or uncle of the principal or (b) resides in the same residence (collectively "close relative"). The term is intended to be broadly construed to include adoption and step and half relationships.

**SECTION 4.04** Election. At each annual meeting of the members, directors shall be elected by secret written ballot by the members and from among those members who are natural persons.

The election of a director from any particular Directorate District (defined below) shall be decided by a plurality of the members voting thereon. Drawing by lot shall resolve, where necessary, any tie vote.

**SECTION 4.07**      Nominations and Campaigning. In the month of March, the Board shall appoint a Committee on Nominations, consisting of a number of members equal to the number of Directorate Districts of the Cooperative. Members of the Committee on Nominations shall not be current Cooperative employees, agents, officers, directors or known candidates for director, and shall not be close relatives (see “close relative” definition at Section 4.03 of the Bylaws) or members of the same household of such current employees, agents, officers, directors or known candidates for director. Members of the Committee on Nominations shall be selected such that each of the Cooperative's Directorate Districts shall have representation thereon. On or before May 1, the Committee shall prepare and post at the principal office of the Cooperative a list of nominations for directors to be elected, listing separately the nominee for each Directorate District. If, before the scheduled election, a nominee chosen by the Committee dies, becomes incapacitated, ceases to be qualified to be a director, or declines the nomination, the Members of the Committee on Nominations may reconvene and nominate another individual. If such a nomination of another individual follows the posting of the list of nominations, the Committee shall prepare and post at the principal office of the Cooperative a revised list of nominations for directors to be elected, listing separately the nominee for each Directorate District. Any one hundred (100) or more of the members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, such petition for nomination to be delivered on or before July 1, to the General Manager at the Cooperative's principal office. The General Manager shall have full authority to validate such petition by verifying with the assistance of the General Manager’s designee(s) to the extent the General Manager considers appropriate, that at least one hundred (100) of the members of the Cooperative have signed it. Once such petition has been validated, and any such nominees are qualified to stand for election, the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail to the members with the notice of the annual meeting, or separately, but at least ten (10) days prior to the date of the annual meeting, a ballot with the names and addresses of all qualified nominees for each Directorate District from which one or more directors must be elected, showing clearly those nominated by the Committee and those nominated

by petition, if any. Any such ballot may be included with member service billings or as an integral part of or with the Cooperative's monthly newsletter and/or its monthly insert, if any, in the Texas Coop Power. In campaigning or soliciting votes for election, a nominated individual shall comply with any rules, requirements, or procedures prescribed by the Board, which rules, requirements, and procedures must apply equally to all nominated individuals. The Board shall be the arbiter of any disputes regarding nomination, campaigning, and qualification of candidates for director. Additional nominations shall not be taken from the floor at the annual meeting. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of directors.

**SECTION 4.08** Voting for Directors; Validity of Board Action. Each member shall be entitled to cast one (1) vote for director for each Directorate District for which a director is to be elected. Ballots marked in violation of the foregoing restriction with respect to one or more Directorate Districts shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding the provisions contained in this Section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board after the election of directors.

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