

LUBBOCK
COTTON
EXCHANGE

RULES
AND
BYLAWS

REVISED JUNE 1997

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RULES AND BY-LAWS OF THE LUBBOCK COTTON EXCHANGE

(Revised June 1997)

These By-Laws govern the affairs of LUBBOCK COTTON EXCHANGE, a nonprofit corporation:

ARTICLE 1 OFFICES

1.01. PRINCIPLE OFFICE

The Corporation's principal office in Texas will be located at 1616 Texas Avenue #9, Lubbock, Texas. The Corporation may have such other offices, in Texas or elsewhere, as the Board of Directors may determine. The Board may change the location of any office of the Corporation.

1.02. REGISTERED OFFICE & REGISTERED AGENT

The Corporation will maintain a registered office and registered agent in Texas. The registered office may, but need not, be identical with the Corporation's principal office in Texas. The Board may change the registered office and the registered agent as permitted in the Texas Non-Profit Corporation Act.

ARTICLE 2 MEMBERSHIP

2.01. Membership of the Exchange shall consist of **active members, active associate members, associate members, and honorary members**. Active memberships may be registered in the name of **individuals, a partnership, a corporation, a limited partnership, or other business entity**.

2.02. **Active membership shall be limited to one hundred (100) members**. The number of members shall not be increased or decreased except by a seventy-five percent (75%) affirmative vote of the active membership.

2.03. ACTIVE MEMBER

A. All active members or the representative of an active member shall be **at least twenty one (21) years of age, of good moral character and financially responsible**. A non- citizen of the United States may become an active member, active associate member, or associate member if otherwise qualified.

B. **An individual, a partnership, corporation, limited partnership, or other business entity shall be eligible** to become an active member **if engaged in a business involving the buying and/or selling of cotton** including commission agents and spot brokers. Any current active members not involved in the buying or selling of cotton as described in the preceding sentence,

who were active members prior to February 1, 1996, shall continue to be an active member.

C. A person eligible to be an active member may not be an associate member.

Active Associate (heading needs put in here)

A. Active associate member - any employee, partner, shareholder, or limited partner of an active member is eligible to become an active associate member, if the employee is **at least 21 years of age and of good moral character**.

B. An active associate member **may serve on the Board of Directors, as an officer, and on any committee**. An active member and an active associate from the active member may not both serve on the Board of Directors at the same time. This does not prevent an active member from serving on the Board of Directors and an active associate member from serving on a committee and vice versa.

C. **Dues, initiation fees, and any other charges** for an active associate member shall be set by the Board of Directors.

D Each applicant for active associate membership shall be subject to the **same regulations and provisions as an applicant for active membership, except that he shall not be required to purchase a certificate of membership**.

E Each active associate membership **may be terminated** by a two-thirds majority vote of the Board of Directors.

F. Each active associate member **shall have all the privileges of the floor of the Exchange, and shall be entitled to all information furnished by the Exchange, but shall not be entitled to vote at any member meeting, and shall not have any property interest in the assets of the Exchange**.

G. Each active associate member shall be **subject to the same Rules and By-Laws as govern active members**, except as set forth herein.

ARTICLE 3 ELIGIBILITY OF ASSOCIATE MEMBERSHIPS

3.01. ASSOCIATE MEMBER

A. Any person, partnership, corporation, limited partnership, corporation, or other type of entity who is **engaged in any legitimate business or profession with involvement in the cotton industry is eligible** to become an applicant for associate membership.

B. Each applicant for associate membership **shall be subject to the same regulations and provisions** as an applicant for active membership, except that he shall not be required to purchase a certificate of membership.

C. Each associate member shall pay an initiation fee and annual dues as determined by the Board of Directors. No associate member may serve on the Board of Directors or vote.

D. Each associate membership may be terminated by a two-thirds majority vote of the Board of Directors.

E. A person eligible to be an active member may not be an associate member.

3.02. Each associate member shall have all the **privileges of the floor of the Exchange, and shall be entitled to all information furnished by the Exchange, but shall not be entitled to vote at any meeting, shall not participate in any way in the management** of the Exchange and shall not have any property interest in the assets of the Exchange.

3.03. Each associate member shall be subject to the same Rules and By-Laws as govern members, except as set forth herein.

ARTICLE 4 HONORARY MEMBERS

4.01.

A. Any person who has been a **member of the Exchange for at least fifteen (15) years, and who has retired from the active cotton business**, may be made an Honorary Member for life by vote of two-thirds of the Board of Directors and shall not be required to pay dues and assessments.

B If any person accepts Honorary Membership under subsection a. above, he must sell his membership and shall receive a certificate of Honorary Membership in lieu of his membership.

C. An Honorary Membership has **no voting privileges**. An

Honorary Member **may serve on the Board of Directors as an officer and on any Committee, but shall not have any property interest in the assets of the Exchange.**

ARTICLE 5 MEMBERSHIP COMMITTEE

5.01. Application for membership shall be made in writing, addressed to the Secretary, in the form established by the Board of Directors, and include the applicant's agreement to conform to and abide by the By-Laws and rules of the Exchange in force at the time of the application or thereafter adopted. The application must be endorsed by three active members of the Exchange who are in good standing and who are not on the Membership Committee or Board of Directors. The application shall be referred to the Committee on Membership. All applications for membership are subject to the approval of the Membership Committee.

5.02.

A. The Chairman of the Membership Committee shall post the name of the applicant on the Bulletin Board of the Exchange for ten (10) days, and shall give written notice to all members of the Exchange that such applicant has applied for membership. The notice shall request all members to state, either personally or in writing, to the Membership Committee within ten (10) days their objection, if any, to the applicant becoming a member.

B. The Membership Committee, after investigation of the eligibility of the applicant, shall submit their recommendations either to reject or to admit the applicant, to the Directors of the Exchange.

C. The Directors shall then, at their discretion, vote by ballot on the application. Should as many as three Directors vote to reject the applicant, the applicant shall be rejected. The Secretary shall be instructed to give the applicant notice in writing of his admission or rejection. If the applicant is elected, notice of his election shall be posted on the Bulletin Board, and sent to each member of the Exchange.

D. In the event an applicant fails to be elected, twelve (12) months shall elapse before the applicant may again apply for membership.

ARTICLE 6 ACTIVE MEMBERSHIP CERTIFICATES

6.01.

A. Each member shall upon election pay **an initiation fee** as

determined by the Board of Directors, and **shall purchase a certificate of membership, and shall subscribe to the Rules and By-Laws** of the Exchange. Any dues, the initial purchase price of active member certificates, initiation fees, membership fees, active membership certificate repurchase price, and any other fees, fines, assessment, and/or charges shall be set by the Board of Directors.

B. Certificates of membership shall be signed by the President or Vice-President and attested by the Secretary, under the seal of the Exchange.

C. Any proposed active member elected to membership who fails to pay the initiation fee and purchase price for a certificate of membership **within thirty (30) days** after notice of his election, shall forfeit its right to membership and can be reinstated only by a majority of the vote of the Board of Directors.

D. No membership shall be **transferred** unless the appropriate initiation fees are paid. Initiation fees must also be paid if a membership is transferred from one firm member to another firm member.

6.02. There are no ownership certificates for an active associate membership, associate membership, or honorary membership.

ARTICLE 7 DUES, UNPAID DUES AND ASSESSMENTS OF FINES

7.01.

A. Each membership shall be liable for dues, assessments, fines, fees and other indebtedness owing by the owner thereof to the Exchange, and the Exchange shall have a lien on the membership to secure such indebtedness. No membership shall be held without the payment of all dues, assessments, fines, fees and other indebtedness owing by the member of the Exchange.

B. Wherever in this or any other section of the By-Laws reference is made to indebtedness owing by a member to the Exchange, the same shall include all rentals and other indebtedness owing to the Exchange by the member or any firm or corporation of which he is partner, an officer or an employee.

7.02.

A. Each member shall **pay annually in advance** the annual dues for carrying on the business of the Exchange as the Board of Directors, by a majority vote may direct. Dues shall

be received into the treasury of the Exchange for the purpose of carrying on the business of the Exchange in conformity with the provisions of these By-Laws. The dues may be **increased and/or decreased at any time during any particular year by a majority vote of the Directors.**

B. The annual dues shall be set by the Board of Directors.

C. There may and/or shall also be levied by the Board of Directors such additional assessments, fees and fines as may be authorized by the Rules and By-Laws of the Exchange.

D. All dues, assessments, fees and/or fines shall be due and payable within a reasonable time as the Board of Directors may direct.

E..

(1) **The Board of Directors shall have the authority** to take such action as they deem necessary when any member fails to pay any dues, fines, assessments, fees, or other charges due to the Exchange from any Exchange member. These **powers include but are not limited to** fines, suspension, expulsion, repurchase of membership, cancellation of all privileges, or any other appropriate sanction deemed appropriate by the Board of Directors.

(2) If any dues, assessments, fees, and fines on any membership remains unpaid **for 90 days** after due date, the member shall be assessed a fine of \$100.00 and **written notice shall be sent to the member.**

If any dues, assessments, fees and/or fines on a membership shall remain unpaid for ninety (90) days after notification to the member, the member may be deprived of all privileges of the Exchange, and the member shall be notified in writing.

(3) If any dues, assessments, fees and/or fines shall remain unpaid for an additional thirty **(30) days after written notification**, the member may be expelled from the Exchange at the discretion of the Board of Directors.

ARTICLE 8 TRANSFER OR REPURCHASE OF MEMBERSHIP

8 01 Only an Active Membership may be transferred or repurchased. Any other type of membership shall not be transferred or repurchased. No membership may be transferred except to a member or member-elect. A member may transfer his membership only by executing the transfer on the transfer books of the Exchange. No membership can be transferred until:

- A. A notice of or his legal member, the posted upon (10) days.
intention to transfer, signed by the member representative (or in the case of a deceased executor or administrator), shall have been the Bulletin Board of the Exchange for ten (10) days.
- B. The transfer is approved by the Membership Committee and the Board of Directors.
- C. All charges against such member pending before the Board of Directors shall have been disposed of.
- D. All dues, assessments, fee and other indebtedness of every nature owing by such member to the Exchange shall have been paid.
- E. Within ten (10) days after a sale of a membership the member selling the same shall notify the Secretary in writing of the price at which the same was sold.

8.02. The Exchange shall have the right to purchase memberships in the Exchange whenever the Board of Directors shall deem it wise to do so.

8.03. If a member shall die and his legal representatives shall not, within six (6) months thereafter, voluntarily and in compliance with the By-Laws, consummate a sale of his membership or memberships, then such membership or memberships shall be taken over by the Exchange at the rate of payment determined by the Board of Directors. This payment is to be within ninety days from the Exchange's assumption of the membership. This amount, less all dues, assessments, fees and/or fines owed to the Exchange by such membership or memberships, shall be paid to the heirs or assigns of the deceased member.

ARTICLE 9 COMPLAINTS, SUSPENSION, EXPULSION

9.01.

A. The Board of Directors by a three-fourths vote, upon its own initiative or upon a complaint filed by any person, whether a member of the Exchange or not, or any firm or corporation, and after a hearing, **shall have power and authority to suspend or expel any member who, in the judgment of the Directors, shall have been guilty of willfully violating the By-Laws or resolutions of the**

Exchange or of a **fraudulent or dishonorable breach of contract or of any act, transaction or practice inconsistent with just and equitable principles of trade**, or of other misconduct rendering the member unfit for membership in the Exchange.

B. The sentence or order of the Board of Directors **shall be final unless** the member expelled or suspended shall, **within ten (10) days after sentence, appeal** to the Exchange. In case of appeal within said ten days the President or Vice-President, after **giving at least five (5) days previous notice**, shall **convene the members of the Exchange at a meeting at which the person so suspended or expelled may be heard in his own behalf**; and a **vote by ballot** shall be had, members voting to sustain the action of the Board of Directors shall write on the ballot "To sustain sentence" and those voting to reverse said sentence shall write "To reverse sentence." Should **three-fourths of the total membership vote in favor of reversal**, the member **shall be reinstated** and the sentence or suspension or expulsion shall be set aside; otherwise, the sentence of the Board of Directors shall stand and be final.

C. An elected officer of the Exchange or a **member of the Board** of Directors **may be removed from office by the same procedure** as outlined in subsections A. and B. of Section 9. 01, The act of removal from office shall not constitute expulsion from membership in the Exchange unless such expulsion is called for by the complaint and by the final sentence.

D. Upon the filing of a bankruptcy petition of the U.S. Bankruptcy Code all membership privileges shall be automatically suspended. The suspension shall remain in effect until the Board of Directors determines, after analysis of all reasonably available information, whether membership privileges, shall be revoked or restored. The restoration of membership privileges is contingent upon the member establishing, through the presentation of sufficient proof, that all outstanding financial obligations have been fully satisfied or that the repayment schedule for all existing financial obligations is current.

9.02. Any complaint made against a member under the preceding section of the By-Laws, whether by the Board of Directors upon its own initiative or by another member shall be addressed to the Committee on Membership specifying the particular act or acts or omission, transaction, practice or misconduct complained of. The complaint shall be **delivered to the Committee on Membership, together with all documentary evidence, if any, bearing on the**

case. The Chairman of the Committee shall cause a copy of the complaint to be served upon the member complained of. It shall be the duty of the member a complaint is initiated against, **within five (5) days** after receipt of same, to file with the Committee a written answer to the complaint and all documentary evidence, if any, bearing on the case and a witness list, with the names of the witnesses whom he desires summoned.

The Chairman shall, as soon as expedient after the receipt of the answer or within five (5) days if no answer is received, notify the complaining party, if any; the accused; and the witnesses of the time and place at which the Board of Directors shall meet and act upon the complaint. Board of Directors after hearing the testimony of the witnesses, if any, shall take such action on the complaint as the Board of Directors shall deem just; provided, however, a sentence or order suspending or expelling the accused member shall not be adopted unless three-fourths of the ballots of the Board of Directors cast shall vote in favor of same. In hearing and passing upon any such complaint whether instituted upon initiative of the Board of Directors or others, the Board of Directors shall not be controlled by any rules of evidence but shall have discretion and authority to receive and consider and base their action upon any information they deem pertinent. No director shall be answerable or accountable in any court for any action he may take in the matter of making a complaint against a member or in passing upon any complaint against the conduct of a member.

9.03. • If at any time the Board of Directors shall be of the opinion that any member of the Exchange has associated himself in any capacity with a firm or corporation for the purpose of giving such firm or corporation representation in the Exchange, the Board of Directors shall have authority by an order entered upon the Minutes to require such member to stand for re-election as a member of the Exchange at a special meeting of the Directors called for that purpose. Before the Directors vote upon the question of re-electing such member he shall be given an opportunity, if he so desires, to appear before the meeting and make such explanation or statement as he shall deem proper, Such re-election shall be conducted by ballot and if three or more of the Directors vote against the re-election of the member, he shall then and there cease to be a member of the Exchange.

9.04.

A. A suspended member may not be on the Board of Directors, may not serve as an officer, serve on any committee, vote, exercise any privileges as a member of the Exchange, including but not limited to, representing himself as a member of the Exchange. Annual dues and assessments shall accrue and be payable upon the membership or memberships owned by a suspended member.

B. An expelled member must sell his membership to the Exchange within thirty (30) days after his final expulsion, at the price that the Exchange is offering to pay for memberships at the time. All dues and/or assessments are to be deducted from the amount paid to the expelled member.

C. The Board of Directors shall have the right in its discretion to allow a suspended or expelled member to continue as a participant of any insurance program the Exchange has including, but not limited to, health care insurance.

9.05 Expelled members of the Exchange desiring re-admission as members of must have their application acted upon as the case of new members.

ARTICLE 10 OFFICERS AND DIRECTORS

10.01.

A. The Officers of the Exchange shall be a President, a Vice-President, and a Secretary and Treasurer. At the discretion of the Board of Directors, an Executive Secretary and Executive Vice-President may Be appointed at a salary to be agreed on by the Board. The offices of Executive Secretary, Executive Vice-President, and Secretary and Treasurer may be held by one person, at the discretion of the Board of Directors.

B. The President and Vice-President shall be ex-officio Directors of the Exchange and each retiring President shall automatically become a member of the Board of Directors upon the election of his successor, which office as Director, he shall hold until the next succeeding retiring President automatically becomes a Director. In addition to the last former President and the two ex-officio Directors as aforementioned there shall be seven elective Directors of the Exchange.

10.02. All Officers and Directors shall be an active or active associate members of the Exchange in good standing, except the Secretary and Treasurer, Executive Secretary, and Executive Vice-President, who need not be members of the Exchange.

10.03.

A.. The President and Vice-President shall be elected for terms of one year by the active members on the third Tuesday in February each year. The elective Directors shall be elected for terms of two years at the same time. If the election is not held on that date it may be held

within thirty (30) days thereafter on a date designated by the President. Twenty (20) days advance notice of the elections shall be posted in the Exchange Room. Seven (7) elective Directors shall be elected. On odd numbered-years, three Directors shall be elected, and on even-numbered-years four Directors shall be elected.

B. The election shall be by ballot of the active members of the Exchange.

C. Each active member shall be entitled to one vote in person, by mail, by facsimile, or by written proxy given to another active member. Proxies, defined herein, shall be delivered to the Secretary before they are used for voting. A person who holds proxy for an active member shall be entitled to vote at elections but shall not be permitted to give a proxy to another for the purpose of voting. Only an active member may vote and nominate candidates for Officers and Directors.

D. Any group of not less than five (5) active members of the Exchange may nominate in writing to the Secretary, other candidates for President, Vice-President, and Directors. The names of any candidates must be posted in the Exchange rooms fifteen (15) days prior to the election. Consent of a write-in candidate shall be obtained before their nomination.

E. Ten (10) days before the opening of the polls on the day of election the Secretary shall furnish to the active members, ballots containing all of the names nominated and posted. The ballot will specify whether nominated by the Nominating Committee or otherwise. Write-in votes shall be permitted on the ballot and a place on the ballot shall be provided for write-in votes. The candidates receiving a plurality of the votes cast at the election shall be elected.

F.

(1) The President shall appoint the accountant, who is handling the affairs of the Exchange at the time, as inspector of election. The accountant shall pass on the validity of all votes and proxies and shall record all votes cast. The accountant shall destroy the votes thirty (30) days after recording them. The accountant shall keep a record for one year showing the order of preference for the defeated candidates (in line with the number of votes cast for each), and shall release this information to the Secretary and/or Executive Vice- President at his request.

(2) In the event of a tie vote for a Director or elected officer position, a runoff vote will be held between the

two candidates with the most votes if there were more than two candidates for a position. In the event of a tie vote with only two candidates for a Director or elected officer position, the Board of Directors will vote on the candidates to determine the winner.

G. All Officers and Directors shall continue in office until their successors shall be elected. All Officers and Directors shall begin serving their term on the first Wednesday succeeding their election.

H. No Director shall be eligible for re-election after serving a two-year term until he has been out of office for one year.

10.04. A SECRETARY AND TREASURER shall be appointed by the Board of Directors at their first business meeting following their election. (See Section 10.01 A.)

10.05. VACANCIES—Any vacancies that may occur in the Board of Directors or other officers of the Exchange (except that of President), by death, resignation, or otherwise, may be filled by the Directors at a regular meeting, or at a special meeting called for that purpose.

ARTICLE 11 OFFICERS DUTIES

11.01.

A.

(1) The President shall preside at all meetings of the Exchange and of the Board of Directors, and shall appoint special committees when necessary.

(2) The President is the Corporation's chief executive officer. He or she will supervise and control all of the Corporation's business and affairs and will preside at all meetings of the members and of the Board. The President may execute any deeds, mortgages, bonds, contracts, or other instruments that the Board authorizes to be executed. However, the President may not execute instruments on the Corporation's behalf if this power is expressly delegated to another officer or agent of the Corporation by the Board, these By-Laws, or statute. The President will perform other duties prescribed by the Board and all duties incident to the office of President.

B.

(1) The Vice-President shall perform all duties and exercise all the powers of the President, in the absence or disability of the President.

(2) When the President is absent, cannot act, or refuses to act, a Vice-President will perform the President's duties. When acting in the President's place, the Vice-

President has all the powers of and is subject to all the restrictions on the President. A Vice-President will perform other duties as assigned by the President or Board.

C. The Board of Directors shall manage the Exchange, in a manner not inconsistent with the By-Laws, and may adopt such regulations as they deem best to carry out the purpose of the Exchange and the Board of Directors shall have power to hire or lease and furnish space as may be required for the purposes of the Exchange. The Board of Directors shall appoint the Secretary, the Treasurer and subordinate officers or employees with such salaries as they may deem necessary. They shall also appoint all standing committees, and approve all special committees.

D.

(1) The **Secretary** shall keep regular **minutes** of the meetings of the members, and the Board of Directors, and shall send **all notices** required to be given to the members. The Secretary shall have **charge of the seal** of the Exchange, and **all records** not specifically belonging to other officers. The Secretary shall **report at the annual meeting** of the Exchange, and shall **enter upon the minutes the members who have died** and the members whose **resignations** have been accepted during the year. The Secretary shall **notify all persons elected to membership immediately** after their election, and **collect** initiation fees, dues and any and all indebtedness of every kind due to the Exchange, and perform such other duties as the Board of Directors may from time to time direct..

(2) The Secretary will:

- (a) Give all notices as provided in the By-Laws or as required by law.
- (b) Take minutes of the meetings of the members and the Board and keep the minutes as part of the corporate records.
- (c) Maintain custody of the corporate records and seal.
- (d) Affix the corporate seal to all documents as authorized.
- (e) **Keep a register of the mailing address** of each member, director, officer, and employee of the Corporation.
- (f) Perform duties as assigned by the President or the Board.

(g) Perform all duties incident to the office of Secretary.

E.

(1) The Treasurer **shall receive all funds** belonging to, or payable to the Exchange, and **deposit or invest** the same in the name of the Lubbock Cotton Exchange, in such manner as the Board of Directors shall direct, and shall **be held responsible to the Exchange for all funds deposited or invested**. The Treasurer shall **pay all bills** of the Exchange when approved by the Board of Directors, or authorized or approved by the Board of Directors. The Treasurer shall **keep an account of all receipts** and disbursements in a book to be kept for that purpose, **subject at all times to the examination of the Finance Committee and the Board or Directors**. The Treasurer shall render a **general report at the close of each year**, and whenever called for by the Board of Directors. The Treasurer at the expiration of his term of office shall deliver to his successor all funds, books, papers and other property of the Exchange in his possession.

(2) The Treasurer will:

- (a) Have charge and custody of and be responsible for all the Corporation's funds and securities.
- (b) Receive and give receipts for monies due and payable to the Corporation from any source.
- (c) Deposit all monies in the Corporation's name in banks, trust companies, or other depositories as these By-Laws provide or as the Board or President directs.
- (d) Write checks and disburse funds to discharge the Corporation's obligations.
- (e) Maintain the Corporation's financial books and records.
- (f) Prepare financial reports at least annually.
- (g) Perform other duties as assigned by the President or the Board.
- (h) Perform all of the duties incident to the office of Treasurer.

H. The Secretary and Treasurer may be the same person.

I. The Board of Directors may adopt such resolutions as it deems appropriate concerning any hold harmless provision or the indemnity of a member. As of the date of these

By-Laws a resolution is currently in effect dated April 30, 1990.

J. The Board of Directors is authorized to make donations only to those organizations directly concerned with merchandising or promotion of cotton or cotton products.

11.02. Directors will discharge their duties, including any duties as committee members, in good faith, with ordinary care, and in a manner they reasonably believe to be in the Corporation's best interest. In this context, the term "ordinary care" means the care that ordinarily prudent persons in similar positions would exercise under similar circumstances. In discharging any duty imposed or power conferred on directors, directors may, in good faith, rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or another person that has been prepared or presented by a variety of persons, including officers and employees of the Corporation, professional advisors or experts such as accountants or legal counsel. A director is not relying in good faith if he or she has knowledge concerning a matter in question that renders reliance unwarranted.

Directors are not deemed to have the duties of trustees of a trust with respect to the Corporation or with respect to any property held or administered by the Corporation, including property that may be subject to restrictions imposed by the donor or transferor of the property.

11.03. Directors who vote for or assent to improper distributions are jointly and severally liable to the Corporation for the value of improperly distributed assets, to the extent that, as a result of the improper distribution or distributions, the corporation lacks sufficient assets to pay its debts, obligations, and liabilities. Any distribution made when the Corporation is insolvent, other than in payment of corporate debts, or any distribution that would render the Corporation insolvent, is an improper distribution. A distribution made during liquidation without payment and discharge of or provision for payment and discharge of all known debts, obligations, and liabilities is also improper. Directors present at a Board meeting at which the improper action is taken are presumed to have assented, unless they dissent in writing. The **written dissent must be filed with the Secretary** of the Corporation before adjournment of the meeting in question or mailed to the Secretary by registered mail immediately after adjournment.

A Director is not liable if, in voting for or assenting to a distribution, the Director (1) relies in good faith and with ordinary care on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by one or more officers or employees of the

Corporation; legal counsel, public accountants, or other persons as to matters the Director reasonably believes are within the person's professional or expert competence; or a committee of the Board of which the Director is not a member; (2) while acting in good faith and with ordinary care, considers the Corporation's assets to be at least that of their book value; or (3) in determining whether the Corporation made adequate provision for paying, satisfying, or discharging all of its liabilities and obligations, relied in good faith and with ordinary care on financial statements or other information concerning a person who was or became contractually obligated to satisfy or discharge some or all of these liabilities or obligations. Furthermore, Directors are protected from liability if, in exercising ordinary care, they acted in good faith and in reliance on the written opinion of an attorney for the Corporation.

Directors held liable for an improper distribution are entitled to contribution from persons who accepted or received the improper distributions knowing they were improper. Contribution is in proportion to the amount received by each such person.

11.04. Directors may select advisors and delegate duties and responsibilities to them, such as the full power to buy or otherwise acquire stocks, bonds, securities, and other investments on the Corporation's behalf; and to sell, transfer, or otherwise dispose of the Corporation's assets and properties at a time and for a consideration that the advisor deems appropriate. The Directors have no liability for actions taken or omitted by the advisor if the Board acts in good faith and with ordinary care in selecting the advisor. The Board may remove or replace the advisor at any time and without any cause whatsoever.

11.05. Contracts or transactions between directors, officers, or members who have a financial interest in the matter are not void or voidable solely for that reason. Nor are they void or voidable solely because the director, officer, or member is present at or participates in the meeting that authorizes the contract or transaction, or solely because the interested party's votes are counted for the purpose. However, every director with any personal interest in the transaction must disclose all material facts concerning the transaction, including all potential personal benefit and potential conflicts of interest, to the other members of the Board or other group authorizing the transaction. The transaction *must be approved by a majority of the uninterested directors or other group with the authority to authorize the transaction.

11.06. The vote of a majority of Directors present and voting at a meeting at which a quorum is present is enough to constitute the act of the Board, unless the act of a greater number is required by law or by some other provision of these By-Laws. **A Director who is present at a meeting and abstains from a vote is**

not considered to be present and voting for the purpose of determining the Board's decision. For the purpose of determining the decision of the Board, a Director who is represented by proxy in a vote is considered present.

11.07. A Director may vote by proxy. All proxies must be in writing, must bear the signature of the Director giving the proxy, and must bear the date on which the proxy was executed by the Director. No proxy is valid after one (1) month from the date of its execution.

11.08. The Board may vote to remove a Director at any time, only for good cause. Good cause for removal of a Director includes taking or engaging in action that adversely affects the Exchange, or taking any action that would result in the expulsion of a member under Paragraph 9.01 of these By-Laws. A meeting to consider removing a Director may be called and noticed following the procedures provided in these By-Laws for a special meeting of the members of the Corporation.

ARTICLE 12 COMMITTEES

12.01.

A. There shall be appointed the following committees from active, active associate, and honorary members of the Exchange at the first business meeting of the new Board of Directors following the annual election'

Committee on **By-Laws** to consist of at least5
(3 of whom shall be reappointed annually)

Committee on **Finances** to consist of at least5
(3 of whom shall be re-appointed annually)

Committee on **Membership** to consist of at least .5

Committee on **Nominations** to consist of5

Committee on **School Board**

B. The President of the Exchange may, at his discretion, attend any or all committee meetings and may offer his suggestions, but **shall not have voting** privilege in such committee meet ins.

C. The Chairman of a committee shall have all rights and privileges of a member of the committee, including the making of motions and/or voting on them.

Such other committees as the Board of Directors, by resolution, shall appoint from time to time.

12.02. Each **committee member will continue to serve** on the committee until the next annual members' meeting and until a successor is appointed. However, a committee member's term may terminate earlier if the committee is terminated, or if the member dies, ceases to qualify, resigns, or is removed as a member. A vacancy on a committee may be filled by an appointment made in the same manner as an original appointment. A person appointed to fill a vacancy on a committee will serve for the unexpired portion of the terminated committee member's term.

12.03. One member of each committee will be designated as the **committee chair**, and another member of each committee will be designated as the **vice-chair**. The chair and vice-chair will be elected by the committee members. The chair will call and preside at all meetings of the committee. When the chair is absent, cannot act, or refuses to act, the vice-chair will perform the chair's duties. When a vice-chair acts for the chair, the vice-chair has all the power of and is subject to all the restrictions on the chair.

12.04. One-half of the number of committee members constitutes a quorum for transacting business at any meeting of the committee. The committee members present at a duly called or held meeting at which a quorum is present may continue to transact business even if enough committee members leave the Meeting so that less than a quorum remains. However, no action may be approved without the vote of at least a majority of the number of committee members required for a quorum. If a quorum is never present at any time during a meeting, the chair may adjourn and reconvene the meeting once without further notice.

12.05. The **vote of a majority of committee members** present and voting at a meeting at which a quorum is present is enough to constitute the act of the committee unless the act of a greater number is required by statute or by some other provision of these By-Laws.

12.06. A committee member may not vote by proxy.

12.07. FINANCE COMMITTEE--The Finance Committee shall prepare the annual budget, audit all bills, exercise general supervision over the financial affairs of the Exchange and annually audit the accounts of the Treasurer. (This is considered a very important committee.)

12.08. COMMITTEE ON ARBITRATION--The Committee on Arbitration shall be selected in accordance with Article 15 of these Bylaws.

12.09. COMMITTEE ON BY-LAWS--The Committee on By-Laws must make suggestions and receive suggestions from members for consideration with a view to constantly improving the By-Laws and

Rules of the Exchange to keep up with the requirements of the present.

12.10 COMMITTEE ON NOMINATIONS— Prior to election, the President shall appoint a Nominating Committee of five (5) members, none of whom shall be Directors or members of the Nomination Committee of the previous year. This committee shall nominate a candidate for President, two or more candidates for Vice-President, and two or more candidates for each position to be filled on the Board of Directors. The names of these candidates nominated must be posted in the Exchange rooms twenty (20) days prior to the election. Consent of candidates shall be obtained before their nomination.

12.11 SCHOOL BOARD COMMITTEE—The duty of this special Committee shall be to be in charge of all matters relating to the cotton school conducted by the Exchange for the education of individuals interested in the cotton business. The number of members on the Committee shall be set by the Board of Directors and may include persons who are not a member of the Exchange. The number and composition of this Committee shall be set by the Board of Directors by resolution.

ARTICLE 13 MEETINGS

13.01.

A. At least **fifteen (15) active members of the Exchange, present in person or represented by proxy, shall constitute a quorum** at all meetings of the active members. At each meeting of the members every active member shall be entitled to vote in person or by proxy appointed by an instrument in writing. This instrument, in writing, must be executed on a form approved by the Board of Directors and furnished by the Exchange.

B. Roberts Rules of Order shall govern procedure in all situations not covered by existing Rules and By-Laws.

13.02.

A. The **annual meeting** of the active members of the Exchange shall be held in the general meeting room of the Exchange on the **second Tuesday of March at 3:00 PM.**

B. **Five (5) days before the Annual Meeting, the new Board of Directors shall post the following: a general statement of the affairs and finances of the Exchange; an estimate of the expenses for the next year; and an estimate of assessments deemed necessary to be collected from each member for the next year.**

C. Subject to quorum required in Section 13.01 a., **a majority vote of the active members present at the annual meeting shall be necessary for approval of the budget, as presented or amended.**

13.03.

A. The President shall call Meetings of the active members of the Exchange when ordered by the Board of Directors, or when requested to do so in writing by five active members of the Exchange. The President may also call a meeting of the active members of the Exchange whenever, in his/her sole discretion, he/she shall deem it necessary. In the absence of the President, the Vice- President shall perform the duties of the President, and in the absence of both, a Chairman Pro Tern shall be appointed by the Board, who shall temporarily assume all duties of the President.

B. It shall be the duty of the Secretary to mail or to furnish active members with a written notice of any called meeting at least seventy-two hours in advance of the time set for the meeting, stating the object of same. A proxy form approved by the Exchange shall be enclosed with each notice to a called meeting.

13.04.

A. A meeting of the Board of Directors shall be held on the second Tuesday of each month. The President may call special meetings when deemed necessary, and shall do so when requested in writing by three members of the Board.

B. Six members of the Board of Directors (this six may include one or more of the following: the President, Vice-President, and the next immediate Past President) shall constitute a **quorum** at meetings of the Board of Directors.

C. The President of the Exchange may vote as a member of the Board of Directors.

13.05. At the annual meeting of the active members of the Exchange the **Order of business** shall be as follows:

A. Reading of the minutes of the last stated meeting, and of every special meeting subsequent thereto, unless a motion is made, seconded and carried by a majority of the active members constituting the quorum to waive their reading.

B. Report of the Board of Directors.

C. Report of the Treasurer

D. Reports of the Committees

E. New business.

The order of business may be, on motion, changed by a majority of the meeting.

ARTICLE 14 MEMBERS SUBJECT TO BY-LAWS AND RULES

14.01. All active members, active associate members, associate members and Honorary Members of the Exchange shall conform and be bound by the Rules, By-Laws, and resolutions adopted by the Board of Directors.

14.02. The **minutes of each meeting of the Board of Directors** (general or special) shall be **posted on, the Bulletin Board of the Exchange within 48 hours** after said meeting.

ARTICLE 15 ARBITRATION

15.01. Arbitration between one or more active members, active associate members, associate members, nonmembers and/or honorary members **may be had upon all parties to the arbitration agreeing that the matter(s) be arbitrated.** If it is agreed by all parties that the matter(s) be arbitrated, arbitration shall be conducted by the Lubbock Cotton Exchange, according to the provisions in this Article 15.

15.02. Any matter(s) agreed to be arbitrated shall be conducted and arbitrated in **accordance with the rules governing Arbitration and Appeals of the Texas Cotton Association Rules** (the "Rules") as they exist or as they have been currently amended.

15.03. The formation of the arbitration committee and the **selection of the committee** shall be conducted in accordance with Rule 4 on Formation of Committees, which reads as follows and which is adopted in its entirety:

RULE 4 FORMATION OF COMMITTEES

"Rule 4.

(a) Each Arbitration Committee of three arbitrators shall be selected by the President' with respect to each case to be referred to said committee.

(b) These arbitrators shall be selected from the membership, retired members, or from a roster of qualified arbitrators approved by the Board of Directors, with a view to forming each committee of prominent people experienced in the type of trade involved in cases to be brought before it. To qualify as an arbitrator, or as an arbitration appeals committee member, a person should be commercially disinterested with respect to the particular dispute

intended to be presented to him for judgment.

(c) Each Arbitration Appeals Committee shall consist of five persons selected by the President, not to include any members of the original arbitration committee.

(d) In the event of the absence, resignation, refusal to act or disqualification of a regular member of an Arbitration Committee, the President shall fill the vacancy with any eligible person who will consent to serve, and said appointee shall have the same power and duties as such regular member. The acts of a committee so formed shall be of the same effect as the acts of a regular committee."

15.04. In the event of a **conflict** between this Article and the Rules, this **Article shall control**.

ARTICLE 16 TRANSACTIONS OF CORPORATION

16.01 The Board may authorize any officer or agent of the Corporation to enter into a contract or execute and deliver any instrument in the name of, and on behalf of, the Corporation. This authority may be limited to a specific contract or instrument, or it may extend to any number and type of possible contracts and instruments.

16.02. All the Corporation's funds will be deposited to the credit of the Corporation in banks, trust companies, or other depositaries that the Board selects.

16.03. The Corporation may not make any loan to a director or officer of the Corporation. A member, director, officer, or committee member of the Corporation may lend money to and otherwise transact business with the Corporation except as otherwise provided by these By-Laws, the articles of incorporation, and applicable law. Such a person transacting business with the Corporation has the same rights and obligations relating to those matters as other persons transacting business with the Corporation. The Corporation may not borrow money from or otherwise transact business with a member, director, officer, or committee member of the Corporation unless the transaction is described fully in a legally binding instrument and is in the Corporation's best interests. The Corporation may not borrow money from or otherwise transact business with a member, director, officer, or committee member of the Corporation without full disclosure of all relevant facts and without the Board's or the members' approval, not including the vote of any person having a personal interest in the transaction.

16.04. As long as the Corporation exists, and except with the Board's prior approval, no member, director, officer, or committee member of the Corporation may:

A. Do any act in violation of these By-Laws or a binding

obligation of the Corporation.

B. Do any act with the intention of harming the Corporation or any of its operations.

C. Do any act that would make it impossible or unnecessarily difficult to carry on the Corporation's intended or ordinary business.

D. Receive an improper personal benefit from the operation of the Corporation.

E. Use the Corporation's assets, directly or indirectly, for any purpose other than carrying on the Corporation's business.

F. Wrongfully transfer or dispose of Corporation property, including intangible property such as good will.

G. Use the Corporation's name (or any substantially similar name) or any trademark or trade name adopted by the Corporation, except on behalf of the Corporation in the ordinary course of its business.

H. Disclose any of the Corporation's business practices, trade secrets, or any other information not generally known to the business community to any person not authorized to receive it.

ARTICLE 17 BOOKS AND RECORDS

17.01. The Corporation will keep correct and complete books and records of account. The books and records include:

A. A file-endorsed copy of all documents filed with the Texas Secretary of State relating to the Corporation, including but not limited to the articles of incorporation, and any articles of amendment, restated articles, articles of merger, articles of consolidation, and statement of change of registered office or registered agent.

B. A copy of all bylaws, including these By-Laws, and any amended versions or amendments to them.

C. Minutes of the proceedings of the members, Board, and committees having any of the authority of the Board.

D. A list of the names and addresses of the members, directors, officers, and any committee members of the Corporation.

E. The Corporation's federal, state, and local tax information or income-tax returns for each of the Corporation's three most recent tax years.

ARTICLE 18 FISCAL YEAR

The Corporation's fiscal year of the Corporation will begin on the first day of March and end on the last day in February of each year.

ARTICLE 19 NOTICES

19.01. Any notice required or permitted by these By-Laws to be given to a member, director, officer, or member of a committee of the Corporation may be given by mail, express mail of any type, facsimile, courier, or telegram. If mailed, a notice is deemed delivered when deposited in the mail addressed to the person at his or her address as it appears on the corporate records, with postage prepaid. If given by telegram, a notice is deemed delivered when accepted by the telegraph company and addressed to the person at his or her address as it appears on the corporate records. By fax, a notice is deemed delivered when sent and received. A person may change his or her address in the corporate records by giving written notice of the change to the secretary of the corporation.

19.02. . Whenever any notice is required by law or under the articles of incorporation or these By-Laws, a written waiver signed by the person entitled to receive such notice is considered the equivalent to giving the required notice. A waiver of notice is effective whether signed before or after the time stated in the notice being waived.

19.03. A person's attendance at a meeting constitutes waiver of notice of the meeting unless the person attends for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

ARTICLE 20 SPECIAL PROCEDURES CONCERNING MEETINGS

20.01. The members, Board of Directors, and any committee of the Corporation may hold a meeting by telephone conference-call procedures. In all meetings held by telephone, matters must be arranged in such a manner that all persons participating in the meeting can hear each other; the notice of a meeting by telephone conference must state the fact that the meeting will be held by telephone as well as all other matters required to be included in the notice; and a person's participating in a conference-call meeting constitutes his or her presence at the meeting.

20.02. Any decision required or permitted to be made at a meeting of the members, Board, or any committee of the Corporation may be made without a meeting. A decision without a meeting may be

made if a written consent to the decision is signed by all the persons entitled to vote on the matter. The original signed consents will be placed in the Corporation minute book and kept with the corporate records.

20.03. A person authorized to exercise a proxy may not exercise the proxy unless it is delivered to the officer presiding at the meeting before the business of the meeting begins. The secretary or other person taking the minutes of the meeting will record in the minutes the name of the person who executed the proxy and the name of the person authorized to exercise the proxy. If a person who has duly executed a proxy personally attends a meeting, the proxy will not be effective for that meeting. A proxy filed with the secretary of the Corporation or other designated officer remains in force until the first of the following occurs:

- A.** An instrument revoking the proxy is delivered to the secretary or other designated officer.
- B.** The proxy authority expires under the proxy's terms.
- C.** The proxy authority expires under the terms of these Bylaws.

ARTICLE 21 AMENDING BY-LAWS

21.01. These By-Laws may be altered, amended, or repealed, and new By-Laws may be adopted only by the active membership. The notice of any meeting at which these By-Laws are altered, amended, or repealed, or at which new By-Laws are adopted will include the text of the proposed By-Law provisions as well as the text of any existing provisions proposed to be altered, amended, or repealed. Alternatively, the notice may include a fair summary of those provisions.

21.02.

- A.** Proposed By-Law changes approved by the By-Law Committee, shall be submitted to the Board of Directors for review and approval, prior to submission to the active membership for a vote as set forth below.
- B.** Amendments to the By-Laws may be proposed in writing by at least five (5) members.
- C.** The proposed by-law amendment shall be submitted to a written vote of the active membership, and ballots must be mailed to the active membership within ten (10) days after receipt of the proposed amendment in the Exchange office.
- D.** Twenty (20) days after ballots have been mailed to the

active members, all votes shall be counted. Sixty percent (60%) of the ballots cast for a by-law amendment shall be required to adopt the amendment. No ballots shall be counted or examined by anyone before the polls close.

E. An amendment thus adopted shall supersede all previous Rules, By-Laws and Amendments.

ARTICLE 22 MISCELLANEOUS PROVISIONS

22.01. These By-Laws will be construed under Texas law. All references in these By-Laws to statutes, regulations, or other sources of legal authority will refer to the authorities cited, or their successors, as they may be amended from time to time.

22.02. To the greatest extent possible, these By-Laws shall be construed to conform to all legal requirements and all requirements for obtaining and maintaining all tax exemptions that may be available to nonprofit corporations. If any By-Law provision is held invalid, illegal, or unenforceable in any respect, the invalidity, illegality, or unenforceability will not affect any other provision, and the By-Laws will be construed as if they had not included the invalid, illegal, or unenforceable provision.

22.03. The headings used in the By-Laws are for convenience and may not be considered in construing the By-Laws.

22.04. All singular words include the plural, all plural words include the singular. The use of the male gender includes the female gender and vice versa.

22.05. The Board of Directors may provide for a corporate seal. Such a seal would consist of two concentric circles containing the words "Lubbock Cotton Exchange".

22.06. A person may execute any instrument related to the Corporation by means of a power of attorney if an original executed copy of the power of attorney is provided to the secretary to be kept with the corporate records.

22.07. The By-Laws will bind and inure to the benefit of the members, directors, officers, committee members, employees, and agents of the Corporation and their respective heirs, executors, administrators, legal representatives, successors, and assigns except as the By-Laws otherwise provide.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting Secretary of Lubbock Cotton Exchange and that these By-Laws constitute the Corporation's By-Laws. These By-Laws were duly adopted at a meeting of the members held on _____.

DATED:

(Typed Name)

Secretary of the Corporation