

WHARTON COUNTY ELECTRIC COOPERATIVE, INC.

BY-LAWS

ARTICLE I - Members

SECTION 1. Qualifications and Obligations.

Any person, firm, corporation, or body politic may become a member in the cooperative by:

- (a) paying the membership fee hereinafter specified;
- (b) agreeing to purchase from the cooperative electric energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the articles of incorporation of the cooperative and these by-laws and any amendments thereto and such rules and regulations as may from time to time be adopted by the board of directors, provided, however, that no person, firm, corporation, or body politic shall become a member unless and until he or it has been accepted for membership by the board of directors or the members. At each meeting of the members held subsequent to the expiration of a period of six (6) months from the date of incorporation of the cooperative, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the board of directors shall be submitted by the board of directors to such meeting of the members and, subject to compliance by the applicant with the conditions set forth in subdivisions (a), (b), and (c) of this Section, such application at least ten (10) days prior notice of the date of the members' meeting to which his application will be submitted and such applicant may be present and heard at the meeting. No person, firm, corporation, or body politic 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 (a), (b), and (c).

SECTION 2. Membership Fee.

The membership fee shall be \$5.00, which shall entitle the member to one (1) service connection. Such additional advance payments as may from time to time be required by the board of directors shall be paid for each service connection requested by a member.

SECTION 3. Purchase of Electric Energy.

Each member shall, as soon as electric energy shall be available, purchase from the cooperative all electric energy used on the premises specified in his application for membership and shall pay therefore at rates which shall from time to time be fixed by the board of directors. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these by-laws. Each member shall pay to the cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the board of directors from time to time. Each member shall also pay all amounts owed by him to the cooperative as and when the same become due and payable.

SECTION 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.

SECTION 5. Expulsion of Members.

The board of directors of the cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the articles of incorporation of the cooperative or these by-laws or any rules or regulations adopted from time to time by the board of directors. Any member so expelled may be reinstated as a member by a majority vote of the members at any annual or special meetings of the members. The action of the members with respect to any such reinstatement shall be final.

SECTION 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 prescribe. If, for any reason whatever, a member does not receive electric service from the cooperative for a consecutive period of one (1) year, then his membership shall automatically be terminated.

SECTION 7. Transfer and Termination of Membership.

- (a) Membership in the cooperative shall not be transferable, except as hereinafter otherwise provided, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the cooperative. Upon termination of membership in any manner, the cooperative may apply any membership fee or deposit of such former member to any debt or liability owed to the cooperative by such former member.
- (b) A membership may be transferred by a member to himself or herself and his or her spouse as the case may be jointly upon the written request of such member and compliance by such husband and wife jointly with the provisions of subdivisions (b) and (c) of Section 1 of the Article. Such a transfer shall be made and recorded on the books of the cooperative.
- (c) When a membership is held by a husband and/or a 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 including but not limited to the payment of capital credits accumulated by such member provided however, that the estate of the deceased shall not be released from any membership debts or liabilities to the cooperative.

SECTION 8. Removal of Directors and Officers.

Any member may bring charges against an officer or director by filing them in writing with the secretary, together with a petition signed by ten per centum (10%) of the members requesting the removal of the officer or director in question. The removal shall be voted upon at the next

regular or special meeting of the members, and any vacancy created by such removal may be filled by the members at such meeting. The director or officer against whom such charges have been brought shall be informed in writing of the charges previous 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.

ARTICLE II - Meeting of Members

SECTION 1. Annual Meeting.

The annual meeting of the members shall be held on any date set by the board of directors, designated in the notice of the meeting for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the cooperative.

SECTION 2. Special Meeting.

Special meetings of the members may be called by at least two-thirds (2/3) of the directors or upon written request by at least ten per centum (10%) of all the members, and it shall thereupon be the duty of the secretary to cause notice of such meeting to be given as hereinafter provided. A special meeting of the members may be held at any place within the County of Wharton in the State of Texas specified in the notice of the special meeting.

SECTION 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 address as it 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 of any such meeting.

SECTION 4. Quorum.

Twenty per centum (20%) of the total number of all members of the cooperative present in person shall constitute a quorum for the transaction of business at all meetings of the members so long as total number of members does not exceed three hundred (300). In case the total number of members exceeds three hundred (300), then and in such case, seventy-five (75) members present in person shall constitute a quorum for the transaction of business at all meetings of the members. This Section 4 shall in no way supersede, impair, or affect Article IX insofar as Article IX pertains to the minimum number of affirmative votes necessary to authorize

the sale of the cooperative's property in such instances when the affirmative vote of members is necessary to authorize such sale.

SECTION 5. Voting.

Each member shall be entitled to one (1) vote, and no more, upon each matter submitted to a vote at a meeting of the members. If a husband and wife hold a joint membership, they shall jointly be entitled to one (1) vote, and no more, upon each matter submitted to a vote at a meeting of the members. Members are not allowed to vote by proxy.

- (a) At all meetings of the members where a quorum is present, all questions shall be decided by a majority of the members voting thereon in person, except as otherwise provided by law, the articles of incorporation of the cooperative, or these by-laws.
- (b) In the event of a tie vote by the members, the directors shall choose a method of resolving the tie vote in a manner deemed just and fair by said directors.

SECTION 6. Order of Business.

The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

- (a) Reading of the notice of the meeting and proof of the due publication of mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
- (b) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (c) Presentation and consideration of, and acting upon, reports of officers, directors, and committees.
- (d) Election of directors.
- (e) Unfinished business.
- (f) New business.
- (g) Adjournment.

ARTICLE III - Directors

SECTION 1. General Powers.

The business and affairs of the cooperative shall be managed by a board of nine (9) directors which shall exercise all of the powers of the cooperative except such as are by law or by the articles of incorporation of the cooperative or by these by-laws conferred upon or reserved to the members.

SECTION 2. Qualifications and Tenure.

At each annual members' meeting, one (1) director shall be elected from each of three (3) districts in which the term of director for such district that year expires. Such districts shall be determined and defined by the board of directors prior to the selection of a nominating committee. Each director elected at any annual meeting shall serve for a term of three (3) years, or until his office is declared vacant as provided by these by-laws.

No member shall be eligible to become or remain a director or to hold any position of trust in the cooperative who:

- (a) Is not a bona fide resident in the territory which they are to represent, or
- (b) Is in any way employed by or financially interested in an enterprise or business selling electric energy or supplies, or
- (c) Is a relative, spouse (or individuals living together in conjugal relationships), parent, stepparent, or parents-in-law; children by blood or adoption; half or full brothers and sisters, by blood, step, or in-law relationship; aunts, uncles, nieces or nephews, by blood or in-law relationship; grandparents or grandchildren, by blood or in-law relationship; and any other person who is by blood, adoption, or otherwise kin to and/or a member of the household of a WCEC director or employee, or
- (d) Has been or has a relative (as described above) who was employed by or financially interested in an enterprise or business selling electric energy or supplies within 60 months prior to being nominated to run for the board of directors.
- (e) No person shall take or hold office as a director who is an elected official to whom a salary is paid.

When a membership is held jointly, 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 nor to hold a position of trust in the cooperative unless both shall meet the qualifications hereinafter set forth. Nothing in this Section contained shall or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the board of directors.

No director from any district shall serve continually in excess of twelve (12) years, or four (4) successive terms of three (3) years each. After being out of office for one (1) term or three (3) years, a member who has served one (1), two (2), three (3), or four (4) terms may be elected again.

No director shall be eligible for re-election to an additional term of office if they have not completed the NRECA Credentialed Cooperative Director certificate program within their first term of office.

SECTION 3. Nominations.

It shall be the duty of the board of directors to appoint, not less than thirty (30) days nor more than ninety (90) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the cooperative. No director or employee or close relative of a director or employee shall be appointed to such committee.

If all of the directors up for re-election at the end of their term (3 years) desire to run for re-election and they have not served for 12 years or 4 terms total (at the end of the term), the board may elect by majority vote to not require that a nominating committee be established. If any one of the director positions up for election is termed out, then a nominating committee shall be required and established.

The committee, keeping in mind the principle of equitable representation, shall prepare and post at the principal office of the cooperative at least twenty (20) days before the meeting a list of nominations for board members which shall include at least two (2) candidates for each board position to be filled by the election. If a director up for re-election at the end of their term (3 years) desires to run for re-election and they have not served for 12 years or 4 terms total (at the end of the term), the board may elect by majority vote to not require at least two (2) candidates for each board position to be filled by the election. In the event that a candidate applies to run against the incumbent director, that candidate will be placed on the ballot.

The secretary shall be responsible for mailing, with the notice of the meeting or separately, but at least ten (10) days before the date of the meeting, a statement of the number of board members to be elected and the names of the candidates that either were nominated by the committee on nominations, have applied to run against an incumbent director, or are an incumbent director up for re-election.

Any fifteen (15) or more members acting together may make other nominations by petition, and the secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations made by petition, if any, received at least twenty (20) days before the meeting shall be included on the official ballot. No member may nominate more than one (1) candidate. Notwithstanding anything in this Section contained, failure to comply with any of the provisions of this Section shall not affect in any manner whatsoever the validity of any election of directors.

SECTION 4. Vacancies.

Subject to the provisions of these by-laws with respect to the removal of directors, vacancies occurring on the board of directors shall be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified, whichever event shall occur sooner. The successor elected director shall serve only the remaining term of the director causing such vacancy.

SECTION 5. Compensation.

Directors as such shall not receive any salary for their services, but by resolution of the board of directors, a fixed sum, and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of directors or other such meetings which the directors attend in connection with the business of the cooperative. Except in emergencies, no director shall receive compensation for serving the cooperative in any other capacity; nor shall any close relative of a director receive compensation for serving the cooperative unless such compensation shall be specifically authorized by a vote of the members.

SECTION 6. Rules and Regulations.

The board of directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the articles of incorporation of the cooperative or these by-laws, as it may deem advisable for the management, administration and regulation of the business and affairs of the cooperative.

SECTION 7. 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 Electrification Administration of United States of America. All accounts of the cooperative may be examined by the board of directors from time to time. The board of directors shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books, and financial condition of the cooperative as of the end of such fiscal year. A report of the audit shall be submitted to the members at the following annual meeting.

ARTICLE III-A - Indemnification of Officers and Directors

SECTION 1. Indemnification for Expenses and Liability.

Every director and officer of the cooperative shall be indemnified by the cooperative against all judgments, penalties, fines, liabilities, amounts paid in settlement and reasonable expenses, including counsel fees actually incurred by or imposed upon him or her in connection with any proceeding to which he or she was, is or is threatened to be made a party, or in which he or she may become involved, by reason, in whole or in part, of being or having been a director 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 for the best interests of the cooperative. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

SECTION 2. 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 another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the cooperative would have the power to indemnify him against such liability under the provision of this Article.

SECTION 3. 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 4. Effect of Amendment.

No amendment, modification, or repeal of this Article or any provision hereof shall in any manner terminated, 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 IV - Meetings of Directors

SECTION 1. Regular Meetings.

A regular meeting of the board of directors shall be held monthly, except as otherwise provided by action of the board of directors, at such time and place in Wharton County, Texas, as the board of directors may provide by resolution, or at other such location as agreed upon by two-thirds (2/3) of the directors voting at a regular or special meeting. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 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, which shall be in Wharton County, Texas, or at such place as may be decided by a two-thirds (2/3) vote of directors present at a regular or special board meeting, for the holding of any special meeting of the board of directors called by them.

SECTION 3. Notice.

Notice of the time, place, and purpose of any special meeting of the board of directors shall be given at least three (3) days previous thereto by written notice delivered personally or mailed to each director at his last known address. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail so addressed with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of each meeting except in case a director shall attend a meeting for the purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 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 from time to time without further notice.

SECTION 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.

ARTICLE V - Officers

SECTION 1. Number.

The officers of the cooperative shall be President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the board of directors from time to time. The offices of Secretary and of Treasurer may be held by the same person.

SECTION 2. Election and Term of Office.

The officers shall be elected by ballot 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 conveniently may be. 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 successor shall have been duly elected and shall have qualified, subject to the provisions of these by-laws with respect to the removal of officers.

SECTION 3. Removal.

Any officer or agent elected or appointed by the board of directors may be removed by a two-thirds (2/3) vote of the directors present at a regular or a special meeting of the board of directors whenever in its judgment, the best interests of the cooperative will be served thereby.

SECTION 4. Vacancies.

Except as otherwise provided in these by-laws, a vacancy in any office may be filled by the board of directors for the unexpired portion of the term.

SECTION 5. President.

The President:

- (a) shall be the principal executive officer of the cooperative and shall preside at all meetings of the members and of the board of directors;
- (b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts, or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution whereof shall be expressly delegated by the board of directors or by these by-laws to some other officer or agent of the cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general, shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

SECTION 6. Vice President.

In the absence of the president, or in the event of his inability or refusal to act, the vice president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president and shall perform such other duties as from time to time may be assigned to him by the board of directors.

SECTION 7. Secretary.

The secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and the board of directors in one (1) or more books provided for that purpose;

- (b) to see that all notices are duly given in accordance with these by-laws or as required by law;
- (c) custodianship 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 by-laws;
- (d) keeping a register of the post office address of each member; which shall be furnished to the secretary by such member;
- (e) keeping of the books of the cooperative in which a record of the members is kept;
- (f) keeping on file at all times a complete copy of the by-laws of the cooperative containing all amendments thereto which copy shall always be open to inspection of any member;
- (g) in general, perform all the duties incident to the office of secretary and other duties as from time to time may be assigned to him by the board of directors.

SECTION 8. Treasurer.

The treasurer shall be responsible for:

- (a) custody of and responsible for all funds and securities of the cooperative;
- (b) receiving and giving receipts for moneys due and payable to the cooperative from any source whatsoever and deposit all such moneys in the name of the cooperative in such bank or banks as shall be selected in accordance with the provisions of these by-laws; and
- (c) in general, perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the board of directors.

SECTION 9. Manager.

The board of directors shall appoint a General Manager/CEO. The General Manager/CEO 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 the General Manager/CEO.

SECTION 10. Bonds of Officers.

The board of directors shall require the treasurer or any other officer of the cooperative charged with responsibility for the custody of any of its funds or property to be bonded in such sum and with surety as the board of directors shall determine. The board of directors in its discretion may also require any other officer, agent, or employee of the cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 11. Compensation.

The compensation, if any, of any officer, agent, or employee who is also a director or close relative of a director, shall be determined by the members, as provided elsewhere in these by-laws, and the powers, duties, and compensation of any other officers, agents, and employees shall be fixed by the board of directors.

SECTION 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.

ARTICLE VI - Contracts, Checks, and Deposits

SECTION 1. Contracts.

Except as otherwise provided in these by-laws, 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 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, agent, or agents, employee or employees of the cooperative and in such manner as shall from time to time be determined by resolution of the board of directors.

SECTION 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 VII - Non-Profit Operation

SECTION 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 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 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 for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the cooperative are received with the understanding that they are furnished by the patrons as capital. The cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the cooperative corresponding amounts for capital. All other amounts received by the cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any

prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the cooperative, after all outstanding indebtedness of the cooperative shall have been paid, outstanding capital credits shall be retired without priority on a prorata basis before any payments are made an 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, less any current amount owed the cooperative on the date of refund. Any such retirements of capital shall, in the sole discretion and judgment of the board of directors, be made in such percentage as the board of directors shall deem financially sound and to the best interests of the cooperative. If the board of directors shall determine to pay all of the capital of prior years, such payments shall be made in order of priority according to the year in which capital was furnished and credited. If the board of directors shall determine to pay only a percentage of the capital of prior years, then such payments to the extent of such percentage of capital of prior years to be paid shall be made in order of priority according to the year in which capital was furnished and credited, except in those instances that a patron dies or is terminated from further membership and service as a result of the sale or exchange of that part of the system serving the patron. In no event shall the percentage of capital credits being retired or paid exceed the percentage of capital credits paid for prior years without first paying such additional credits on prior years as may be required to equalize the percentage of capital credits retired and being retired on a percentage basis, except in those instances that a patron dies or is terminated from further membership and service as a result of the sale or exchange of that part of the system serving the patron.

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 successor in interest of successors in occupancy in all or part of such patron's premises served by the cooperative unless the board of directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provisions of these by-laws, the board of directors, at its discretion, shall have the power at any time upon the death of any patron, or the termination of a patron's membership as a result of the sale or exchange of that part of the system serving the patron, if the member or the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these by-laws, to retire capital credited to any such patron immediately upon such terms and conditions as the board of directors, acting under policies of general application, and the patron or the legal representatives of such patron's estate shall agree upon provided, however, that the financial condition of the cooperative will not be impaired thereby.

The patrons of the cooperative by dealing with the cooperative acknowledge that the terms and provisions of the articles of incorporation and by-laws 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.

SECTION 3. Classification of Consumers for Capital Credit Purposes.

Notwithstanding anything in the foregoing portion of this Article VII contained, the members and consumers who shall have received during any time after January 1, 1977, or who may hereafter receive electrical power and energy from the cooperative shall be divided for the purposes of capital credits into such consumer or rate classifications as may be hereafter established by the board of directors from time to time. Such classifications shall be established for the purpose of determining margins, if any, to be allocated as capital credits. In determining the classifications of consumers to be established, the board of directors shall attempt to group similar consumers in each classification, giving due consideration for the cost of delivering electrical service to the members of such classifications.

The margins, if any, to be distributed as capital credits shall be determined after first deducting the wholesale cost of electricity delivered to such members of each classification.

The board of directors, in adopting future rates, shall designate the proper category into which such new rates shall be placed.

SECTION 4. Patronage Capital in Connection With Furnishing Other Services.

In the event the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received therefrom which are in excess of costs properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, retained by the Cooperative in amounts not in excess of the reasonable needs of the Cooperative or allocated to the Cooperative's patrons as its Board of Directors may determine from time to time. Patronage capital allocated and retired pursuant to this Section 4 shall be made consistent with the following:

- (a) The Board of Directors shall determine which other goods or services and to whom such other goods or services are provided on a patronage basis. Accordingly, the term "patron" may refer to members only or to all patrons, members and nonmembers alike. All such determinations, required from time to time under this Section 4 and made by the Board of Directors, shall be through applicable authority, including policy, resolution or contract;
- (b) The Board of Directors shall have the authority under accepted accounting practices, loan covenants and federal cooperative tax law to prescribe the manner in which losses derived from such other goods or services may be handled;
- (c) The retirement of capital credits allocated to such patrons shall be considered and made by the Board of Directors from time to time subject to the same limitations and guidance of Section 2, except as otherwise provided for in policy; and
- (d) To the extent other goods or services are provided on a non-patronage basis, the purchasers of which are not entitled to receive an allocation of capital credits, the net earnings of which shall be retained as part of the Cooperative's net savings.

SECTION 5. Patrons are responsible for informing the cooperative of their current address.

In the event capital credits are retired and a patron cannot be located within two (2) years after notice of the capital credit retirement is sent by certified mail, return receipt requested, to the current address of the patron as reflected in the records of the cooperative, the capital credits shall be paid to the cooperative as a donation by the patron.

ARTICLE VIII - Waiver of Notice

Any member or director may waive, in writing, any notice of meetings required to be given by these by-laws.

ARTICLE IX - Disposition of Property

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

- (a) 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 ten per centum (10%) of the value of all of the property of the cooperative;
- (b) services of all kinds, including electric energy; and
- (c) personal property acquired for resale; and
- (d) a sale, lease, or other disposition of property which is authorized at a meeting of the members by an affirmative vote of at least two-thirds (2/3) of the total membership of the cooperative and such affirmative votes of at least two-thirds (2/3) of the total membership of the cooperative must be cast at such members' meeting by such members in person, and notice of such proposed sale, lease, or other disposition shall have been contained in the notice of the meeting; and
- (e) notwithstanding anything herein contained, the board of directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, or any agency or instrumentality thereof, National Rural Utilities Cooperative Finance Corporation, or such other financial lending institution as may be approved by the board of directors, and in connection with such borrowing to authorize the making and issuance of bonds, notes, or other evidences of indebtedness and to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbrance of any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the cooperative, wherever situated, all upon such terms and conditions as the board of directors shall determine; and
- (f) the cooperative may merge or consolidate with another non-profit electric cooperative under the provisions of Article 1528b, Section 27, Texas Revised Civil Statutes. Such a merger or consolidation must be approved by a vote of a majority of the members of each cooperative voting at regular or special meetings called for that purpose.

ARTICLE X - Fiscal Year

The fiscal year of the cooperative shall begin on the first day of January of each year and end on the thirty-first day of December of the same year.

ARTICLE XI - Membership in Other Organizations

The cooperative shall become a member of any other organizations upon the affirmative vote of two-thirds (2/3) of the total number of directors present and voting at a regular meeting of the board of directors, provided such membership shall not make the cooperative liable financially for any debts incurred by such organizations.

ARTICLE XII - 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 XIII - Area Coverage

The board shall make diligent effort to see that electric service is extended to all unserved persons within the cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the cooperative as a condition of such service.

ARTICLE XIV - Amendments

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

Dated and adopted this 26th day of May 2010.

Dated and adopted this 20th day of February 2017.

Dated and adopted this 26th day of July 2022.

Dated and adopted this 21st day of November 2022.

Dated and adopted this 23rd day of July 2023.

Dated and adopted this 30th day of April 2024.

Dated and adopted this 29th day of October 2024.

Dated and adopted this 29th day of July 2026.

Dated and adopted this 22nd day of September 2026.