

WHARTON COUNTY ELECTRIC COOPERATIVE, INC.

Articles of Incorporation

By-Laws

P.O. Box 31
El Campo, Texas 77437

As Amended and Revised May 26, 2010.

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**ARTICLES OF INCORPORATION
OF
WHARTON COUNTY ELECTRIC COOPERATIVE, INC.**

(Articles amended and revised June 10, 1992
By-Laws amended and revised June 24, 1992;
By-Laws amended and revised May 26, 2010)

We, the undersigned, being natural persons of the age of twenty-one years or more and residents of the State of Texas, for the purpose of forming a corporation under the "Electric Cooperative Act," of the State of Texas, do hereby adopt the following Articles of Incorporation:

ARTICLE I

The name of the corporation is:

WHARTON COUNTY ELECTRIC COOPERATIVE, INC.

ARTICLE II

The purpose for which the corporation is organized is to engage in any or all business authorized by the Electric Cooperative Corporation Act and any other statute pertaining to electric cooperatives.

ARTICLE III

The names and addresses of the incorporators who shall serve as directors and manage the affairs of the corporation until the first annual meeting of the members or until their successors are elected and qualified are as follows:

R. E. Meek, Louise, Texas
H. D. Madsen, Danevang, Texas
A. E. Schoeneberg, Route 1, Louise, Texas
J. B. Putnam, D.S.R., El Campo, Texas
A. E. Berndt, Danevang, Texas
Alfred N. Nilson, El Campo, Texas
Victor T. Jurasek, Taiton, Texas

ARTICLE IV

Beginning with the annual meeting of members July 1962, the number of directors to be elected at each annual meeting of members shall be three (3). Their tenure of office shall be three (3) years. The number of directors in office shall be nine (9).

ARTICLE V

The address of the principal office of the corporation shall be El Campo, County of Wharton, State of Texas, and the name and address of the agent on whom process may be served is Gary L. Raybon, General Manager/CEO, P.O. Box 31, El Campo, Texas 77437

ARTICLE VI

The duration of the corporation shall be perpetual.

ARTICLE VII

SECTION 1.

The undersigned incorporators shall be members of the corporation. In addition to the undersigned incorporators, any persons, corporation or partnership not receiving central station may become a member of the corporation by:

- (a) paying such membership fee as shall be specified in the by-laws of the corporation;
- (b) agreeing to purchase from the corporation the amount of electric energy hereinafter in Section 2 of this Articles specified; and
- (c) agreeing to comply with and be bound by the Articles of Incorporation and By laws of the Corporation and any amendments thereto and such rules and regulations as may from time to time be adopted by the board of directors of the corporation;

Provided, however, that no person, corporation or partnership, except the incorporators of the corporation or any person, corporation or partnership accepted for membership by the members at any meeting thereof, shall become a member of the corporation unless and until he or it has been accepted for membership by the affirmative vote of a majority of the members of the board of directors.

SECTION 2.

Each member shall, as soon as electric energy shall be available, purchase from the corporation monthly not less than the minimum amount of electric energy which shall, from time to time, be determined by resolution of the board of directors of the corporation and shall pay therefore, and for all additional electric energy used by such member, the price which, from time to time, shall be fixed therefore by resolution of the board of directors. Each member shall also pay all obligations which may from time to time become due and payable by such member to the corporation as and when the same shall become due and payable.

SECTION 3.

The by-laws of the corporation may fix other terms and conditions upon which persons shall be admitted to and retain membership in the corporation not inconsistent with these articles of incorporation or the act under which it is organized.

ARTICLE VIII

SECTION 1.

Subject to the provisions of any mortgage or deed of trust given by the corporation and within sixty (60) days after the expiration of each fiscal year, the board of directors, after paying or providing for the payment of all operating and maintenance expenses of the corporation including an amount for prospective operating and maintenance expenses for a reasonable period, and all interest and installments on account of the principal of notes, bonds, or other evidences of indebtedness of the corporation which shall have become due and be unpaid, or which shall have accrued at the end of the fiscal year just ended but which shall not be then due, and after paying or making provisions for the payment of all taxes, insurance, and all other non-operating expenses which shall have become due and be unpaid and all taxes, insurance, and all other non-operating expenses which shall have accrued at the end of the fiscal year just ended but which shall not be then due, shall apply the revenues and receipts of the corporation remaining thereafter for the following purposes and in the following order of priority:

1. The establishment and maintenance of a reserve for the payment of interest on and principal of all outstanding notes, bonds or other evidences of indebtedness of the corporation in an amount which shall equal the amount of principal and interest required to be paid in respect of such notes, bonds or other evidences of indebtedness during the ensuing fiscal year;
2. The establishment and maintenance of a general reserve fund for working capital, insurance, taxes, improvements, new construction, depreciation, obsolescence, and contingencies in an amount which the board of directors shall deem reasonable;
3. The payment to the members of the corporation of refunds in proportion to the amounts of their respective

purchases of electric energy and goods from the corporation during the fiscal year just ended; Provided, however, that in no case shall any such refunds be paid to any member who is indebted to the corporation until such indebtedness is paid or arrangements in respect thereof satisfactory to the board of directors shall have been made.

SECTION 2.

Twenty per centum (20%) of the total number of all members of the corporation present in person shall constitute a quorum for the transaction of business at all meetings of the members so long as the total number of members does not exceed three hundred (300), then and such case, seventy-five (75) members present in person shall constitute a quorum for the transaction of business at all meetings of the members. Members are not allowed to vote by proxy.

SECTION 3.

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

SECTION 4.

The private property of the members of the corporation shall not be subject to the payment of, and no member shall be individually responsible for, corporate debts to any extent whatever.

ARTICLE IX

A. Directors of the corporation shall not be liable to the corporation or its members for monetary damages for an act or omission in the director's capacity as a director except that this article does not eliminate or limit the liability of a director for:

1. a breach of a director's duty of loyalty to the corporation or its shareholders or members;
2. an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law;
3. a transaction from which a director received of an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office;
4. an act or omission from which the liability of a director is expressly provided for by statute; or
5. an act related to an unlawful stock repurchase or payment of a dividend.

B. This article applies only to an act or omission occurring on or after August 31, 1987.

ARTICLE X

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

1. property which in the judgment of the board of directors neither is nor will be necessary or useful in operating and maintaining the cooperative's system and facilities; provided, however, that all sales of such property shall *not in any one (1) year exceed in value ten per centum (10%) of the value of all of the property of the cooperative;
2. services of all kinds, including electric energy; and
3. personal property acquired for resale; and
4. 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
5. 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 encumbrancing 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

6. 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.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 1st day of February 1938.
(Signatures to original document)

R. E. Meek
H. D. Madsen
A. E. Schoeneberg
J. B. Putnam
A. E. Berndt
Alfred N. Nilson
Victor T. Jurasek

WHARTON COUNTY ELECTRIC COOPERATIVE, INC.

BY-LAWS

(By-Laws amended and revised June 24, 1992;
By-Laws amended and revised May 26, 2010;
By-Laws amended and revised February 20, 2017)

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 meeting 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 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 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 in June each year, 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. 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 director 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 bylaws.

(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:

1. 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.
2. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
3. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
4. Election of directors.
5. Unfinished business.
6. New business
7. 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 bylaws conferred upon or reserved to the members.

SECTION 2. Qualifications and Tenure.

The number of directors to be elected at the annual meeting of members to be held in the year 1961 shall be nine (9). The term of office of said nine (9) directors elected at the annual members' meeting to be held in 1961 shall be divided into three classes, and they shall draw for the different classes. The three directors drawing No. 1 shall serve for a term of one year; the three directors drawing No. 2 shall serve for a term of two years; and the three directors drawing No. 3 shall serve for a term of three years, or until the office to which any such director is elected is declared vacant subject to the provisions of these bylaws with respect to the removal of directors.

At each annual members' meeting, subsequent to the annual meeting to be held in 1961 as aforesaid, one 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, subsequent to the annual meeting to be held in 1961 aforesaid, shall serve for a term of three (3) years, or until his office is declared vacant as provided by these bylaws.

No member shall be eligible to become or remain a director or to hold any position of trust in the cooperative who is not a bona fide resident in the territory which he is to represent; or who is in any way employed by or financially interested in a competing enterprise or business selling electric energy or supplies to the Cooperative; or a business primarily engaged in selling electrical or plumbing fixtures/supplies to the members of the Cooperative; or is an immediate family member (*Amended February 20, 2017*) of a WCEC director or employee. Immediate family members are defined as an individual who is, either by blood, law, or marriage, including half, step, foster and adoptive relations, a spouse, sibling, parent, child, grandparent, or grandchild or any member of a WCEC director or employee's household. (*Amended February 20, 2017*) No person shall take or hold office as a director who is an elected official to whom a salary is paid. (*Amended August 22, 2007*)

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 constructed 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 nine years, or three successive terms of three years each. After being out of office for one term or three years, a member who has served one or two or three terms may be elected again.

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. 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 candidates for each board position to be filled by the election. 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 nominated by the committee on nominations. Any fifteen 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. Later nominations by petition shall be treated as a nomination from the floor. The chairman shall call for additional nominations from the floor. No member may nominate more than one 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 bylaws 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 bylaws, 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 bylaws 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 bylaws, 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 bylaws to some other officer or agent of the cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general 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 or more books

provided for that purpose;

- (b) to see that all notices are duly given in accordance with these bylaws 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 bylaws;
- (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 bylaws 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 the 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 bylaws; 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 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 bylaws, 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 bylaws, the board of directors may authorize any officer or officers, agent, or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the cooperative, and such authority may be general or confined to specific instances.

SECTION 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. (**Amended January 23, 2008*) All such amounts credited to 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 prorate 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 bylaws, 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 bylaws, 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 bylaws shall constitute and be a contract between the cooperative and each patron and both the cooperative and the patrons are bound by such contract as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

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. Patrons are responsible for keeping the cooperative informed of their current address.

In the event capital credits are retired and a patron cannot be located within two 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 bylaws.

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 encumbering 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 bylaws 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.