

**IT SHALL BE THE AIM OF
WOOD COUNTY ELECTRIC COOPERATIVE, INC.**

to make electric energy available to its
Members at the lowest cost consistent with
sound business principles

**BYLAWS
of
WOOD COUNTY ELECTRIC COOPERATIVE, INC.
(Restated as of July 21, 2008)**

**ARTICLE I
MEMBERSHIP**

SECTION 1. Requirement for Membership. Any person, firm, association, corporation, business trust, partnership, government or governmental subdivision or agency, any body politic, or any other legal entity (hereinafter called an "individual" or an "entity") having any dwelling, structure, apparatus, or point of delivery located in Wood County Electric Cooperative, Inc.'s (hereinafter called the "Cooperative") service territory that is not receiving central station service, as defined in Tex. Util. Code Ann. § 161.002(3) as amended from time to time, from another source, may become a Member of the Cooperative by:

- (a) making written application for membership therein;
- (b) agreeing to purchase from the Cooperative electric energy or as may be determined by the Cooperative, other goods or services that may or may not be related to the purchase of electric energy; and
- (c) agreeing to comply with and be bound by the following "Governing Documents" of the Cooperative all as currently existing or as later properly adopted or amended:
 - (1) the Articles of Incorporation ("Articles");
 - (2) these Bylaws;
 - (3) the rate schedules and all other provisions of the Cooperative's Tariff;
 - (4) the "Application for Membership and for Electric Service", which shall be in such form and contain such provisions as determined by the Board of Directors;
 - (5) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or requirements, adopted, promulgated, or approved by the Board of Directors.

For good cause determined by the Board, the Board may refuse an Applicant membership in the Cooperative.

No Member may hold more than one membership in the Cooperative.

SECTION 2. Membership Agreement. A Member shall: (1) comply with the Governing Documents; and (2) pay the Cooperative for the Cooperative's damages, costs, or expenses, including attorney fees and legal expenses, caused by or associated with the Member's failure to comply with the Governing Documents. If a Member fails to comply with the Governing Documents, then, as provided in these Bylaws, the Cooperative may cancel the membership of the Member. Regardless of whether money damages are available or adequate, the Cooperative may: (1) bring and maintain a legal action to enjoin the Member from violating the Governing Documents; and (2) bring and maintain a legal action to order the Member to comply with the Governing Documents.

The Articles and these Bylaws are contracts between the Cooperative and a Member. By becoming a Member, the Member acknowledges that: (1) every Member is a vital and integral part of the Cooperative; (2) the Cooperative's successful operation depends upon each Member complying with the Governing Documents; and (3) Members are united in an interdependent relationship.

As requested by the Cooperative, a Member shall indemnify the Cooperative for, and hold the Cooperative harmless from, liabilities, damages, costs, or expenses, including reasonable attorney fees and legal expenses, incurred by the Cooperative, or by a Cooperative Director, Officer, employee, agent, or representative ("Cooperative Official"), and caused by the Member's negligence, gross negligence, or willful misconduct, or by the unsafe or defective condition of a location occupied by the Member.

SECTION 3. Joint Membership. A husband and wife may apply for a joint membership by each signing and accepting such application set forth in Section 2 of this Article, and subject to their compliance with the requirements set forth in Section 1 of this Article. The term "Member" as used in these Bylaws shall be deemed to include a husband and wife holding jointly a membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or with respect to the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one Member, and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A proxy executed by either or both shall constitute one joint proxy;
- (d) A waiver of notice signed by either or both shall constitute a joint waiver;
- (e) Notice to either shall constitute notice to both;

- (f) Expulsion of either shall terminate the joint membership; and
- (g) Withdrawal of either shall terminate the joint membership.

SECTION 4. Conversion of Membership. A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the Governing Documents of the Cooperative. The outstanding application for membership shall be changed by the Cooperative in such manner as shall indicate the changed membership status.

Upon divorce, annulment, legal separation, or other declaration that a marriage is void, the joint membership shall terminate; however, if one of the joint Members continues to use the Cooperative's service at the same location, then the joint membership shall convert to an individual membership in the name of that Member.

SECTION 5. Purchase of Cooperative Services. "Cooperative Service(s)" shall include providing electric energy and related services or products. Each individual, entity or Member who has submitted an application for a Cooperative Service shall, as soon as the Cooperative Service is available, be liable to the Cooperative for any minimum amounts required by the Cooperative per month regardless of the amount of electric energy consumed or regardless of whether the individual, entity, or Member is ready to receive a Cooperative Service. Each Member shall pay all amounts owed to the Cooperative as and when the same shall become due and payable. A Member shall purchase Cooperative Services provided by the Cooperative and used on the premises specified in the individual's, entities or Member's application for membership and shall, except as otherwise provided by contract, pay therefore monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one Member. It is expressly understood that amounts paid for Cooperative Services in excess of cost of service, are furnished by Members as capital and each Member shall be credited with the capital so furnished as provided in these Bylaws. Except as otherwise provided by the Board of Directors, a Member may not sell, lease, or otherwise transfer a Cooperative Service provided by the Cooperative or a right to a Cooperative Service provided by the Cooperative.

SECTION 6. Provisions of Cooperative Service. "Cooperative Equipment" is a product, equipment, structure, facility, or other goods owned, controlled, operated, or furnished by the Cooperative. "Member Equipment" is a product, equipment, structure, facility, or other goods; (1) owned, controlled, operated, or furnished by an individual, entity or Member; and (2) located on property owned, controlled, operated, or furnished by an individual, entity, or Member.

An individual, entity or Member shall comply with reasonable procedures required by the Cooperative regarding the provision of a Cooperative Service. Based upon different costs of providing a Cooperative Service to different groups of Members, the Cooperative may charge each group a different rate or price for providing the Cooperative Service.

- (a) **Interruption of Cooperative Service.** The Cooperative shall provide Cooperative Services to Members in a reasonable manner. The Cooperative, however, does not insure, guarantee, or warrant that it will provide adequate, continuous, or non-fluctuating electric energy or other Cooperative Service. The Cooperative is not liable for damages, costs, or expenses, including attorney fees or legal expenses, caused by the Cooperative providing inadequate, noncontinuous, or fluctuating electric energy or other Cooperative Service, unless the damages, costs, or expenses are caused by the Cooperative's gross negligence or willful misconduct. The Cooperative's responsibility and liability for providing a Cooperative Service terminate upon delivery of the Cooperative Service to a Member.
- (b) **Safe and Protected Operation of Cooperative.** A Member shall take or omit an act required by the Cooperative to safely, reliably, and efficiently operate the Cooperative and provide Cooperative Services.

A Member shall: (1) protect Cooperative Equipment and Member Equipment connected to Cooperative Equipment; and (2) install and maintain a protective device, and implement and follow a protective procedure, required by the Cooperative. The Cooperative may cancel a Cooperative Service as necessary to safely, reliably, and efficiently operate the Cooperative and provide Cooperative Services. A Member shall not tamper with, alter, interfere with, damage, or impair Cooperative Equipment. Except as otherwise provided by the Board of Directors, the Cooperative owns all Cooperative Equipment.

- (c) **Member Equipment Connected to Cooperative Equipment.** Before and while Member Equipment is connected to Cooperative Equipment, the Member:
- (1) shall comply with, and shall ensure that the Member Equipment, the connection, and any act or omission regarding the Member Equipment and the connection comply with, the Governing Documents, including terms, conditions, requirements, and procedures required by the Cooperative regarding the Member Equipment and the connection;
 - (2) shall ensure that the Member Equipment and the connection do not adversely impact the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or provide a Cooperative Service;
 - (3) grants the Cooperative the right to inspect the Member Equipment and the connection to determine whether they comply with the Governing Documents;
 - (4) grants the Cooperative the right to disconnect or temporarily operate Member Equipment that does not comply with the Governing Documents or that adversely impacts the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative or provide a Cooperative Service; and
 - (5) shall pay to the Cooperative any income to which the Cooperative may be entitled and may not receive or accrue because of the connection to the Member Equipment.

If Member Equipment is connected to Cooperative Equipment, then: (1) the Member is, but the Cooperative is not, responsible for designing, installing, operating, maintaining,

inspecting, repairing, replacing, and removing the Member Equipment; (2) the Cooperative is not liable for damage to, or for the performance of, the Member Equipment; (3) the Cooperative is not liable for damage to Member Property; (4) the Member is responsible for knowing the concerns, risks, and issues associated with operating the Member Equipment and connecting the Member Equipment to Cooperative Equipment; (5) the Member is liable for damage to, and for the nonperformance of, the Cooperative Equipment caused by the Member Equipment or the connection; and (6) the Member is liable for, and must indemnify the Cooperative against, injury or death to any person and damage to any property caused by, or resulting from, the Member Equipment or the connection.

SECTION 7. Cancellation of Membership or a Cooperative Service.

- (a) Membership in the Cooperative or a Cooperative Service may be canceled upon the following terms and conditions, with or without the consent of the Member and at the sole discretion of the Cooperative:
- (1) When the Member fails to timely pay any amounts due the Cooperative;
 - (2) When the Member dies, legally dissolves, or legally ceases to exist;
 - (3) When the Member ceases using electric services;
 - (4) After signing a new Application for Membership and the new Member has not begun using electric energy or Cooperative Services within sixty (60) days thereafter and the Cooperative has promised to make a Cooperative Service available;
 - (5) When the Member voluntarily requests termination;
 - (6) When the Cooperative equipment used to provide Cooperative Service has been tampered with, altered, interfered with, damaged, or impaired;
 - (7) If it becomes apparent that the Cooperative will be unable to provide the Member electric services;
 - (8) When a Member fails to comply with the “Provisions of Cooperative Service” as provided in Section 6 of this Article;
 - (9) Cancellation of membership in any manner shall not release a Member or his estate from any debts due the Cooperative.
- (b) When a membership is held jointly by husband and wife, and 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, provided however that the estate of the deceased shall not be released from any debts or liabilities to the Cooperative.

ARTICLE II
RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. Upon dissolution, the property and assets of the Cooperative shall be distributed in the following manner:

- (a) All debts and liabilities of the Cooperative shall be paid first; and

- (b) All capital furnished through patronage shall be retired thereafter as provided in these Bylaws; and
- (c) The remaining property and assets of the Cooperative shall be distributed pro rata to the Members who were Members at the time of the filing of the certificate of dissolution.

SECTION 2. Non-liability for Debts of the Cooperative. The private property of the Members shall be exempt from execution or liability for the debts of the Cooperative and no Member shall be liable or responsible for any debts or liabilities of the Cooperative. Except that a Member may become liable to the Cooperative as provided in the Governing Documents or as otherwise agreed to by the Cooperative and the Member.

ARTICLE III MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the Members, beginning with the year 1974, shall be held each year at such time and place in Wood County, Texas, as shall be fixed by the Board of Directors, and designated in the notice of the meeting, for the purpose of electing Directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the Members. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. If the day fixed for the annual meeting shall fall on a legal holiday, such meeting shall be held on the next business day. Failure to hold the annual meeting at the designated time shall not work forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings. Special meetings of the Members may be called by resolution of the Board of Directors, or upon a written request signed by a majority of the Directors, by the President, or by ten percent (10%) or more of all current Members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the Members may be held at any place within Wood County, Texas, specified in the notice of the special meeting.

SECTION 3. Notice of Meetings of the Members. Written or printed notice stating the place, day, and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty-one (21) nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the President or the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each Member entitled to notice as provided in Section 4 of this Article. 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. Notice of meetings of Members may be waived in writing. The failure of any Member

to receive notice of any annual or special meeting of the Members shall not invalidate any action which may be taken by the Members at such meeting.

SECTION 4. Record Date. The day, thirty (30) days prior to a meeting of the Members shall be used as the “Record Date” to establish the number of Members in the Cooperative for the purpose of mailing notice, participating in the election, and establishing quorum requirements. An individual or entity that is a Member on the Record Date shall be entitled to receive notice and shall be entitled to participate in the election as provided in Section 6 of this Article. Any individual or organization who becomes a Member after the Record Date shall not be entitled to receive notice or participate in the election. If the day, thirty (30) days prior to the meeting of the Members shall fall on a weekend or legal holiday, then the Record Date shall be set on the first business day immediately following that weekend or legal holiday. .

SECTION 5. Quorum. Twenty percent (20%) of the total number of Members of the Cooperative present in person, or represented by proxy 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 thousand (3,000); then and in such case, two hundred (200) Members present in person, or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the Members. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

SECTION 6. Elections by Mail and Voting. An election by mail shall be conducted for matters requiring a vote by the Members. The Elections Committee provided for in Section 3 of Article V of these Bylaws shall prepare and arrange for the posting at the principal office of the Cooperative at least thirty (30) days before the meeting of the Members, an announcement which shall include all matters requiring a vote by the Members at the upcoming meeting of the Members. The Cooperative shall prepare or cause to be prepared ballots that clearly state the matters to be submitted to a vote of the Members and shall state the time and date by which the Cooperative must receive the completed ballot by mail. Ballots shall be mailed to the Members with the notice of the meeting of the Members provided for in Section 3 of this Article. A Member is only entitled to cast a ballot which the Cooperative can verify is an authentic ballot. Each Member entitled to vote shall be entitled to one (1) vote and no more upon each matter submitted to a vote of the Members. However, a Member may choose not to vote on all matters contained on a ballot. A ballot shall be cast by mail and must be received as provided on the ballot in order to be considered in the election. The Elections Committee or an independent organization authorized by the Elections Committee shall verify that a ballot cast is an authentic ballot that complies with these Bylaws and record the votes on matters contained on the ballot.

The Elections Committee may designate an independent organization to count and verify that a ballot has been properly cast as provided in these Bylaws. A ballot that is not properly cast according to these Bylaws may be rejected and not considered in the election. All matters shall be decided by a simple majority of the votes cast for the specific matter contained on the ballot, except as otherwise provided by law, the Articles of the Cooperative, or these Bylaws.

SECTION 7. Proxies. A Member entitled to vote may choose to grant a proxy to another Member entitled to vote. A proxy must be executed in writing by the Member and clearly state

the name of the Member who is authorized to vote on behalf of the Member granting the proxy. A Member casting a ballot as provided in Section 6 of this Article for another Member shall include with the ballot the proxy granting that Member the right to cast the additional vote. No proxy shall be valid after sixty (60) days from the date of its execution. No proxy shall be valid unless it shall designate the particular election in which it is to be voted and no proxy shall be voted in any election other than the one so designated or any adjournment of such meeting. No Member shall be granted the right to vote by proxy for more than three (3) other Members in any election. The Elections Committee provided for in Section 3 of Article V of these Bylaws or an independent organization authorized by the Elections Committee shall verify that a proxy complies with these bylaws.

SECTION 8. Order of Business. Except as otherwise provided in these Bylaws, before or at an annual or special meeting of the Members, the Board of Directors: (1) shall determine the agenda, program, or order of business for the meeting of the Members; and (2) may limit attendance at the meeting to Members.

Except as otherwise provided by the Board of Directors before or at a meeting of the Members, the President: (1) shall preside at the meeting of the Members; (2) may remove a person from the meeting of the Members for unruly, disruptive, or similar behavior; (3) may exercise power reasonably necessary for efficiently and effectively conducting the meeting of the Members; and (4) contrary to Section 6 of this Article, the President may call for votes on general housekeeping or procedural matters, such as the approval of minutes, motions to adjourn, etc. as may be required to conduct the meeting of the Members.

Except as otherwise provided by the Board of Directors before or at a meeting of the Members, Members attending the meeting of the Members may only consider, vote, or act upon a matter described on the ballot provided for under Section 6 of this Article that was mailed with the notice as provided in Section 3 of this Article.

ARTICLE IV DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber 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 percent (10%) of the value of all the property of the Cooperative;
- (b) service of all kinds, including electric energy; and
- (c) personal property acquired for resale, unless such sale, mortgage, lease, or other disposition or encumbrance is authorized by the Members by the affirmative vote of

at least two-thirds (2/3) of the Members voting thereon and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the Members shall have full power and authority to borrow money from the United States of America, Rural Utilities Service, National Rural Utilities Cooperative Finance Corporation, or any agency or instrumentality thereof, 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, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors shall determine.

ARTICLE V DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a Board of seven (7) Directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles or these Bylaws conferred upon or reserved to the Members.

SECTION 2. Qualification and Tenure. The persons named as Directors in the Articles of the Cooperative shall compose the Board of Directors until the first annual meeting or until their successors shall have been elected and shall have qualified. At each annual meeting of the Members beginning with the year 1939, Directors shall be elected by and from the Members to serve until the next annual meeting of the Members or until their successors shall have been elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of Directors. There shall be seven (7) districts and the boundary lines of these districts will be outlined by the County and State roads and according to a map setting up and showing these districts on permanent display in the headquarters building of the Cooperative on South Main Street as a permanent record. The center of the State and County roads used as a boundary line for these districts will be the boundary line for the districts. Members who have meters in more than one district, will be considered Members in the district in which they reside for purposes of eligibility to become a Director. Directors from District #1 and #4 shall be elected at the Annual Meeting of the Cooperative in 1994 and every third year thereafter. The Directors from District #5 and #6 will be elected at the Annual Meeting of the Cooperative in 1995 and every third year thereafter. The Directors from District #2, #3 and #7 shall be elected at the Annual Meeting of the Cooperative in 1996 and every third year thereafter.

The Board of Directors as necessary shall review the composition of the several districts and if it should be found that inequalities in representation have developed which can be corrected by a redelineation, addition and/or reduction of the districts, the Board of Directors, by resolution, shall reconstitute the districts to eliminate such inequalities.

No person shall be eligible to become or remain a Director of the Cooperative who:

- (a) is not a Member in the area served or to be served by the Cooperative and of the district he or she is to represent;
- (b) is regularly, directly, and substantially employed by or financially interested in a competing enterprise or a business selling goods or services to the Cooperative, or a business primarily regularly engaged in selling electric or plumbing appliances, fixtures or supplies, to the Members of the Cooperative;
- (c) is not a resident of the district they represent; or who does not purchase all electric energy used at their residence where they actually live and reside from the Cooperative. A resident of a district is an individual who resides and is registered to vote with an address located in the district;
- (d) is an employee or has been a former employee of the Cooperative within the seven (7) years prior to the election at which such Member is to be placed on the ballot;
- (e) has not been a Member of the Cooperative for a period of twenty-four (24) consecutive months, preceding the election;
- (f) has been convicted of a felony or a crime of moral turpitude in this state or any other state;
- (g) who is a close relative of an employee of the Cooperative;
- (h) does not have the capacity to enter legally binding contracts; or
- (i) is a close relative of an existing Director of the Cooperative.

For purposes of these Bylaws “close relative” shall include an individual who:

- (a) is either related by blood, law, or marriage, including half, step, foster, and adoptive relations, a spouse, child, grandchild, parent, grandparent, or sibling; or
- (b) resides in the same residence.

When a membership is held jointly by a husband and wife, either one, but not both, may be elected a Director, provided however that neither one shall be eligible to become or remain a Director or to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth. Nothing in this section shall or be construed to affect, in any manner whatsoever, the validity of any action taken in any meeting of the Board of Directors.

SECTION 3. Nomination and Election of Directors. Nominations for Directors shall be made by districts as hereinabove defined or as modified by subsequent action of the Board of

Directors pursuant to Section 2 of this Article and shall be made in accordance with the procedure hereinafter described. The election of Directors shall be conducted by mail as provided in Section 6 of Article III of these Bylaws and in accordance with procedures hereinafter described.

(a) **Nomination of Directors.** It shall be the duty of the Board of Directors to appoint an Elections Committee at the regular meeting of the Board of Directors in January. This Elections Committee shall be made up of one Member from each district as provided in Section 2 of this Article that shall serve a one year term. Election Committee members may not be an existing, or a close relative of an existing: (1) Director; (2) known Director candidate; or (3) Cooperative employee. The Board of Directors may replace a member of the Elections Committee if a vacancy occurs anytime during the calendar year but at all times each District shall be represented. . The Elections Committee:

- (1) Shall nominate at least one candidate in each district for which an existing Director's term is expiring at that year's annual meeting of the Members;
- (2) Shall meet at least forty (40) days prior to the meeting of the Members to nominate candidates and decide other matters that are its responsibility;
- (3) Shall have the authority to arrange for procedures that will ensure that the Election of Directors complies with these Bylaws;
- (4) Shall certify or arrange for the certification that a potential candidate is not disqualified from serving as a Director pursuant to Section 2 of this Article or these Bylaws and that the potential candidate's nomination complies with this Section;
- (5) Shall prepare a ballot or arrange for a ballot to be prepared that contains the matters requiring a vote of the Members;
- (6) Shall prepare a ballot or arrange for a ballot to be prepared that reflects the names of those candidates certified for the election of Directors; and
- (7) Shall perform other duties related to Cooperative elections as may be required by the Board of Directors.

Any one hundred (100) or more of the Members from any district acting together may make nominations by petition received at the principal office of the Cooperative in Quitman, Texas, not less than sixty (60) days prior to the meeting of the Members. The petition shall clearly state the district in which the potential candidate resides and desires to represent as a Director. A nomination petition will only be valid if the signatures were obtained following January 1st of the year of that election. On receipt of any such petition, the Elections Committee shall verify or arrange for the verification that a petition is valid and complies with this Section.

(b) **Election of Directors.** The election of Directors shall be a matter that shall be submitted to all Members entitled to participate in the election as provided in Section 4 of Article III of these Bylaws and shall be conducted as provided in Section 6 of Article III of these Bylaws. A ballot that provides for the election of Directors, shall reflect the manner in which the candidate was nominated and shall reflect that a candidate is an existing Director if appropriate. The Elections Committee shall

prepare and arrange for the posting at the principal office of the Cooperative at least thirty (30) days before the meeting of the Members, an announcement which shall include the names of the candidates to be considered in the election of Directors. A candidate receiving the highest number of votes for a particular district shall be deemed elected. There shall be no run-off for the office of Director and no nominations shall be heard at any meeting of the Members.

SECTION 4. Removal of Directors by Members. Any Member may bring charges against a Director and, by filing with the Secretary such charge in writing together with a petition signed by at least ten percent (10%) of the Members, may request the removal of such Director by reason thereof. Such Director shall be informed in writing of the charges at least thirty (30) days prior to the meeting of the Members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence with respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon by the Members at said meeting of the Members contrary to Section 6 of Article III of these Bylaws. A vacancy created by such removal shall be filled by an election consistent with Section III of this Article and the Board of Directors shall call a special meeting of the Members to conduct said election that shall be held no more than seventy (70) days after the meeting of the Members at which the Director was removed. A Member elected as a result of the removal of a Director shall serve for the unexpired portion of the term of the Director that was removed and then continued service shall be determined by the scheduled election process as provided in Section 2 of this Article.

SECTION 5. Vacancies. A vacancy occurring on the Board of Directors other than a vacancy occurring under Section 4 of this Article shall be filled by the affirmative vote of a majority of the remaining Directors for the unexpired portion of the term. The Member elected to fill the vacancy must reside in the same district as the replaced Director.

SECTION 6. Compensation. Directors shall not receive any salary for their services as Directors, except that by resolution of the Board of Directors a fixed sum and actual expense of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors. No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any person who is a close relative of a Director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the Board of Directors. However, in consideration for serving as a Director, as determined by the Board of Directors, and without granting a Director or former Director any contract or other vested rights, the Cooperative may provide insurance or other benefits to a Director after he/she ceases serving as Director. After a Director ceases serving as a Director, the Board shall determine or approve, and may change or eliminate for any reason, the manner, method, and amount of any benefits provided to the former Director.

SECTION 7. 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 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 8. Accounting System and Reports. The Board of Directors shall establish and maintain a complete accounting system which is subject to applicable laws and rules and regulations of any regulatory body. The Board of Directors shall after the close of such fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative. The officers of the Cooperative shall submit at each annual meeting of the Members reports covering the business of the Cooperative for the previous twelve (12) months. Such reports shall set forth the condition of the Cooperative at the close of the previous twelve (12) months.

SECTION 9. 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 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 at the time such expenses are incurred, to the maximum extent consistent with the provisions of Tex. Code § 161.078 as amended from time to time; provided that, in the event of settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interest of the Cooperative. The foregoing right and indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled. The Cooperative may purchase insurance to cover such indemnification.

SECTION 10. Protection from Liability. If a Director complies with these Bylaws, then the Director is not liable to the Cooperative, any Member, or any other individual entity for action taken, or not taken, as a Director. No Director is deemed a trustee regarding the Cooperative or any property held or administered by the Cooperative including, without limit, property potentially subject to restrictions imposed by the property's donor or transferor.

ARTICLE VI MEETINGS OF DIRECTORS

SECTION 1. Regular Meeting. A regular meeting of the Board of Directors shall be held monthly at such time and place in Wood County, Texas, as the Board of Directors may provide by resolution. Such regular monthly meeting 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 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 five (5) days previous thereto, by written notice,

delivered personally or mailed, to each Director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid.

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.

SECTION 6. Conflict of Interest Transaction. A conflict of interest transaction is a transaction with the Cooperative in which a Director has a direct or indirect interest (“Conflict of Interest Transaction”).

(a) **Indirect Interest.** A Director has an indirect interest in a Conflict of Interest Transaction if at least one (1) party to the transaction is another entity:

- (1) in which the Director has a material interest or is a general partner; or
- (2) of which the Director is a director, officer, or trustee.

(b) **Approval of Conflict of Interest Transaction.** Regardless of the presence or vote of a Director interested in a Conflict of Interest Transaction, a Conflict of Interest Transaction may be approved, and any Board quorum satisfied, if the Conflict of Interest Transaction’s material facts and the Director’s interest are disclosed or known to the Board and a majority of more than one (1) Director with no interest in the Conflict of Interest Transaction votes to approve the Conflict of Interest Transaction.

(c) **Fair Conflict of Interest Transaction.** A Conflict of Interest Transaction that is fair when entered is neither:

- (1) voidable; nor
- (2) the basis for imposing liability on a Director interested in the Conflict of Interest Transaction.

ARTICLE VII OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a 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 Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected by affirmative vote of a majority of Directors in office 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 possible. 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 the Board of Directors whenever, in the judgment of the Board, 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 shall be the principal executive officer of the Cooperative and, unless otherwise determined by the Board of Directors, shall preside at all meetings of the Members and the Board of Directors. The President 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 thereof 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. In general, the President 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 improper 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 or make arrangements for the following:

- (a) preparing and maintaining the minutes of meetings of the Members and the Board of Directors in one (1) or more books provided for that purpose;
- (b) providing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) maintaining the corporate records and seal of the Cooperative and seeing 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) maintaining a register of the post office address of each Member which shall be furnished to the Secretary by each Member;

- (e) maintaining general charge of the books of the Cooperative in which a record of the Members is kept;
- (f) maintaining at all times a complete copy of the Bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any Member; and
- (g) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 8. Treasurer. Unless otherwise determined by the Board, and unless otherwise required by Law, the Articles, or these Bylaws, the Treasurer shall perform all duties, shall have all responsibility, and may exercise all authority, prescribed by the Board.

SECTION 9. Manager. The Board of Directors may appoint a Manager who may, but who shall not be required to, be a Member of the Cooperative. The Manager shall be an Officer of the Cooperative for the purpose of managing the day to day operations of the Cooperative, but shall not be a member of the Board of Directors. The Manager shall perform such duties as the Board of Directors may from time to time require of him/her and shall have such authority as the Board of Directors may from time to time vest in him/her. The Board of Directors may confer on said Manager any title it deems appropriate.

SECTION 10. Bonds of Officers. The Board of Directors at its discretion may require any officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 11. Officer Compensation. The compensation, if any, of any officer shall be determined by the Board of Directors.

SECTION 12. 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.

SECTION 13. Reports. The officers of the Cooperative shall submit at each annual meeting of the Members reports covering the business of this Cooperative for the previous twelve (12) months. Such reports shall set forth the condition of the Cooperative at the close of such previous twelve (12) months.

ARTICLE VIII 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 of 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 evidence 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.

ARTICLE IX
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 Members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Members.

SECTION 2. Patronage Capital in Connection with Furnishing Cooperative Services. The furnishing of Cooperative Services with the Cooperative's operations shall be conducted so that all Members 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 Members for all amounts received and receivable from the furnishing of Cooperative Services in excess of operating costs and expenses properly chargeable against the furnishing of Cooperative Services (“operating margins”). 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 Members as capital. The Cooperative is obligated to pay by credits to a capital account for each Member 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 Member is clearly reflected and credited in an appropriate record to the capital account of each Member, and the Cooperative may within a reasonable time after the close of the fiscal year notify each Member of the amount of capital so credited to his account (“capital credits”). All such amounts credited to the capital account of any Member shall have the same status as though they had been paid to the Member in cash pursuant to a legal obligation and the Member had then furnished the Cooperative corresponding amounts of capital.

Other than operating margins, funds and amounts received by the Cooperative that exceed the Cooperative’s costs and expenses (“non-operating margins”) may be:

- (1) Allocated as capital credits in the same manner as the Cooperative allocates operating margins;
- (2) Retained or used by the Cooperative as permanent, non-allocated capital;
- (3) Used to pay or offset any Cooperative cost or expense; or
- (4) Used as otherwise determined or approved by the Board.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority to the Members in proportion to the value or quantity of service used during the years prior to dissolution before any payments are made on account of property rights of Members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to Members' accounts may be retired in full or in part. Any such retirements of capital shall be based upon a percentage of the total accrued unpaid margins, such percentage to be determined on a yearly basis and will be set by the Board of Directors based upon the financial condition and ability of the Cooperative to make such payment.

Capital credited to the account of each Member shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such Member's premises served by the Cooperative unless the Board, acting under policies of general application, shall determine otherwise.

To secure payment of any amounts owed by a Member to the Cooperative, including any reasonable compounded interest and late payment fee determined by the Board, the Cooperative has a security interest in the capital credits of every Member or former Member. When any capital credits are ordered to be retired by the Board of Directors and cash payment is made to eligible Members, the Cooperative shall deduct from such payment any unpaid bill of the Member which may be due from him, regardless of the purpose for which the debt was incurred. This deduction shall be made before any cash payment is made and is to be shown on the Member's statement of capital credits retired in his favor.

The Members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles and Bylaws shall constitute and be a contract between the Cooperative and each Member, and both the Cooperative and the Member are bound by such contract, as fully as though each Member had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each Member of the Cooperative.

SECTION 3. All persons to whom capital credits have been allocated shall keep the Cooperative informed of their current mailing address in order that the Cooperative may retire or refund capital credits, deposits and any other amounts to such persons in accordance with these Bylaws. If a check representing any retirement or refund of any such capital credits, deposits and other such accounts shall be mailed to any such person to his last known address shown in the records of the Cooperative and (a) shall be returned unclaimed to the Cooperative, or (b) shall remain uncashed, and no claim therefore shall be made by such person for a period of three (3) years after the issuance thereof, such person's check shall be presumed abandoned consistent with Tex. Property Code Ann. § 72 and subject to the report, delivery and claims process set forth in Tex. Property Code Ann. § 74, et al. If, prior to retirement of capital as provided by these Bylaws, a person's existence and whereabouts are unknown to the Cooperative for a period of three (3) years, such person's capital credit retirement shall be presumed abandoned consistent

with Tex. Property Code Ann. § 72 and subject to the report, delivery and claims process set forth in Tex. Property Code Ann. § 74, et al.

ARTICLE X
WAIVER OF NOTICE

Any Member or Director may waive, in writing, any notice of meeting required to be given by these Bylaws. The attendance of a Member or Director at any meeting shall constitute a waiver of notice of such meeting by such Member or Director, except in case a Member or Director shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

ARTICLE XI
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 XII
MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative shall become a member of other organizations by an affirmative vote of at least two-thirds (2/3) of the Directors present at a meeting of the Board of Directors.

ARTICLE XIII
SEAL

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

ARTICLE XIV
AMENDMENTS

The 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.

ARTICLE XV
ELECTRONIC DOCUMENTS

If a Member owns, controls, or has reasonable access to the hardware and software specified by the Cooperative, then, regardless of any contrary Bylaw:

- (a) The Member agrees to:
 - (1) use, accept, send, and receive electronic signatures, contracts, records, notices, communications, and other documents (“Electronic Documents”) regarding any transaction with, for, or involving the Cooperative;
 - (2) conduct any action or transaction with, for, or involving the Cooperative by electronic means; and
 - (3) give this consent electronically, or confirm this consent electronically; and

- (b) As determined by the Board:
 - (1) any Electronic Document to or from the Member satisfies any requirement imposed by law, the Articles, or these Bylaws that the underlying signature, contract, record, notice, communication, or other document be in writing;
 - (2) electronically sending or receiving any Electronic Document to or from the Member satisfies any requirement imposed by law, the Articles, or these Bylaws that the underlying signature, contract, record, notice, communication, or other document be sent or received personally or by mail; and
 - (3) the Member electronically taking any action provided in these Bylaws satisfies any requirement imposed by law, the Articles, or these Bylaws regarding the form or manner of taking the action.

Any Electronic Document sent electronically to a Member or former Member at the Member or former Member’s last known electronic address is considered sent and received on the date sent. Any Electronic Document sent electronically to the Cooperative from a Member or former Member is considered sent and received on the date received by the Cooperative.

CERTIFICATE OF SECRETARY

I, Lewis D. Young, do hereby certify that I am the duly elected, qualified and acting Secretary of Wood County Electric Cooperative, Inc. (hereinafter called the "Cooperative"), and the keeper of its records, that the attached and foregoing is a true and correct copy of the original minutes entered in the minute book of the Cooperative of the regular meeting of the Directors thereof convened and held pursuant to and in accordance with the laws of the State of Texas and the Charter and Bylaws of the Cooperative on the 21st day of July, 2008; that at said meeting the Directors of the Cooperative acted throughout; and that none of the resolutions contained in the aforesaid copy of said minutes of said meeting has been rescinded or modified and that the same are, at the date hereof, in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 21st day of July, 2008.


Secretary