

**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

**BY-LAWS
of
WOOD COUNTY ELECTRIC COOPERATIVE, INC.
(Restated as of March 18, 2002)**

**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 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 power or energy or as determined by the Cooperative, other goods or services relating to electric power or energy as hereinafter specified; and
- (c) agreeing to comply with and be bound by the articles of incorporation and by-laws of the Cooperative, as currently existing and as later adopted or amended, and any rules and regulations adopted 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. Membership in the Cooperative shall be evidenced by signature and acceptance of 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.

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 by-laws 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 have the effect of revoking a proxy executed by either or both and of constituting 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 articles of incorporation, by-laws and rules and regulations adopted by the Board of Directors. 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 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, 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 electric energy 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 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 to the Cooperative as and when the same shall become due and payable. Members may not purchase electricity for the purpose of resale.

SECTION 6. Cancellation of Membership.

- (a) Membership in the Cooperative shall 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 service;
 - (4) After signing a new application for membership and the new member has not begun using electricity within sixty (60) days thereafter and the Cooperative has promised to make 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 service;
 - (8) 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 by-laws; 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.

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 present at the meeting in person or by proxy. 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, State of Texas, specified in the notice of the special meeting.

SECTION 3. Notice of Members' Meetings. 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 ten (10) 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 vote at such meeting. 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. 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 5. Voting. Each member shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the articles of incorporation of the Cooperative, or these by-laws.

SECTION 6. Proxies. A member may vote by proxy executed in writing by the member. Such proxy shall be filed at the Cooperative office not later than forty-eight (48) hours before the time of the meeting. 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 meeting at which it is to be voted and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. A member may give his proxy only to another member, and no member shall vote as proxy for more than three (3) other members at any meeting of the members. The presence of a member at a meeting shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy. The minutes of each meeting shall contain a list of the members represented by proxy and of their respective proxies. Prior to the time of voting, the Secretary or his designate, will call forth the names of those that hold proxies and shall distribute ballots to each member holding one or more proxies.

SECTION 7. Order of Business. Except as otherwise determined by the members, 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) Report on the number of members present in person and the number of members represented by proxy in order to determine the existence of a quorum;
- (2) Reading of notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be;
- (3) Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (4) Presentation and consideration of reports of officers, Directors, and committees;
- (5) Election of Directors;
- (6) Unfinished business;
- (7) New business;
- (8) Adjournment.

**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 at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of the members voting thereon at such meeting in person 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 of incorporation or these by-laws conferred upon or reserved to the members.

SECTION 2. Qualification and Tenure. The persons named as Directors in the articles of incorporation 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 by-laws 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.

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

- (1) is not a member in the area served or to be served by the Cooperative and of the district he is to represent;
- (2) 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;
- (3) does not reside on the farm or at the place of business or residence in which he holds membership in the Cooperative;
- (4) is an employee or former employee of the Cooperative;
- (5) does not have the capacity to enter legally binding contracts; or
- (6) is an immediate member of the same family of an existing Director of the Cooperative.

For purposes of these by-laws “an immediate member of the same family” 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. (a) Nomination of Directors. It shall be the duty of the Board of Directors to appoint, not less than forty (40) days nor more than seventy (70) days before the date of a meeting of the members at which Directors are to be elected, a committee of nominations consisting of not less than five (5) nor more than eleven (11) members. At least one (1) member

of the committee shall be appointed from each district from which a Director is to be elected. No member of the Board of Directors may serve on such committee.

The committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for Directors. At least one (1) candidate shall be nominated by the committee from each district from which a Director is to be elected. Any one hundred (100) or more members acting together may make other nominations by petition not less than forty (40) days prior to the meeting and the Secretary shall post such nominations at the place where the list of nominations made by the committee are posted.

The Secretary shall mail with the notice of the meeting or separately, not less than ten (10) days nor more than twenty-five (25) days before the date of the meeting, a statement of the number of Directors to be elected and the names of the candidates. The names of the candidates shall be arranged by districts, from which a Director is to be elected. Such statement shall also designate the candidate nominated by the committee and those nominated by petition.

The members may at any meeting at which a Director shall be removed as provided in these by-laws, elect a successor thereto without compliance with the foregoing requirements, except that any successor must reside in the same district as the Director causing the vacancy. Notwithstanding anything herein contained, failure to comply with any of the provisions of this subsection shall not affect in any manner whatsoever the validity of any election of Directors.

(b) Election of Directors. Election of Directors shall be by printed ballot or voice vote. If by ballot, the ballots shall contain the names of the candidates nominated by the committee and by petition, and such names shall be arranged by districts.

Each member of the Cooperative present in person or represented by proxy at the meeting shall be entitled to vote for one (1) candidate from each district from which a Director is to be elected. The candidate from each district from which a Director is to be elected receiving the highest number of votes at such meeting shall be declared elected as a Director.

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 at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, provided however, that the successor must reside in the same district as the Director in respect of whom the vacancy occurs.

SECTION 5. Vacancies. A vacancy occurring on the Board of Directors 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 an immediate member of the same family 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 or the service by such Director or close relative shall have been certified by the Board of Directors as an emergency measure. However, in consideration for serving as a Director, as determined by the Board, 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 incorporation of the Cooperative or these by-laws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 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, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America and the National Rural Utility Cooperative Finance Corporation. 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, officer, and employee 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, officer, or employee, 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, officer, or employee may be entitled.

SECTION 10. Protection from Liability. If a Director complies with this by-law, 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 by-laws with respect to the removal of officers.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by 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 by-laws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. President. The President 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 by-laws 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:

- (a) prepare and keep the minutes of meetings of the members and the Board of Directors in one (1) or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these by-laws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these by-laws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by each member;
- (e) have general charge of the books of the Cooperative in which a record of the members is kept;
- (f) keep on file at all times a complete copy of the by-laws of the Cooperative containing all amendments thereto, which copy shall always be open to 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 by-laws, 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 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.

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. Compensation. The compensation, if any, of any officer, agent or employee who is also a Director or immediate family member of a Director, shall be determined by the Board of Directors, as provided elsewhere in these by-laws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed by the Board of Directors.

SECTION 12. 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 by-laws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name 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 Electric Energy. The furnishing of electric energy 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 electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy (“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 seven (7) 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 of incorporation and by-laws shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and the members 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 by-laws 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 by-laws. 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 by-laws, 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 by-laws. 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 by-laws may be altered, amended or repealed by not less than the affirmative vote of two-thirds (2/3) of all of the Board of Directors at any regular or special meeting.

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 by-law:

- (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
 - (5) 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 by-laws 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 by-laws 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 by-laws satisfies any requirement imposed by law, the Articles, or these by-laws 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 By-laws of the Cooperative on the 17th day of September, 2001; 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 17th day of September, 2001.

Secretary