BYLAWS
OF
KARNES ELECTRIC COOPERATIVE, INC.

## ARTICLE I. MEMBERSHIP

SECTION 1. Requirements for Membership. Any natural person, corporation, limited liability company, partnership, limited partnership, trust, association, or any other entity of any kind, or any government or governmental authority or entity of any kind (hereinafter, "Person") with the capacity to enter into legally binding contracts, will become a Member of Karnes Electric Cooperative, Inc., (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he, she or it has first:

(a) If required, made an application for membership therein in whatever form then-specified by the board of directors;

(b) Agreed to purchase from the Cooperative electric energy as hereinafter specified;

(c) Agreed to comply with and be bound by the Articles of Incorporation (as amended from time to time) and Bylaws of the Cooperative (as amended from time to time) and the other Governing Documents (defined below);

(d) Satisfied the requirements for membership in the Cooperative under applicable law and the Governing Documents;

(e) Paid the membership fee hereinafter specified; and

(f) Granted the Cooperative an unrestricted right-of-way easement.

No Member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws.

The "Governing Documents" are the membership application signed by a Member or applicant for membership and the following documents and actions, all as currently existing or as later adopted or amended: (a) the Articles; (b) these Bylaws; (c) the Cooperative's tariff; and (d) all rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions, or actions taken, adopted, promulgated, or approved by the Board.

SECTION 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate, which shall be in such form and shall contain such provisions as shall be determined by the board of directors of the Cooperative (the "Board of Directors" or "Board").

SECTION 3. Joint Membership. Natural persons that are legally married or otherwise joined in a legally-recognized marriage relationship may apply for and be accepted as joint Members. A certificate issued in the name of one includes the other. The term "Member" as used in these Bylaws shall be deemed to include natural persons that are

legally married or otherwise joined in a legally-recognized marriage relationship holding a joint 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 in respect of 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 waiver of notice signed by either or both shall constitute a joint waiver;

(d) Notice to either shall constitute notice to both;

(e) Expulsion of either shall terminate the joint membership;

(f) Withdrawal of either shall terminate the joint membership; and

(g) Either, but not both, may be elected as a director, or elected or appointed as an officer of the Cooperative, provided that the one so elected or appointed meets the qualifications for such office.

SECTION 4. Organization Membership. An entity or organization (i.e. corporations, churches, associations, partnerships, trusts, or other types of associations or businesses) may apply or continue membership in the Cooperative pursuant to the requirements for membership specified in this Article. Any such entity accepted or continuing membership must designate to the Cooperative an individual, and an alternate individual if desired, to represent its voting interests in any meeting of Members or any otherwise needed representation of that membership interest.

SECTION 5. Conversion of membership.

(a) Pursuant to Article I, Section 3, 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. The outstanding membership certificate shall be voided and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be voided, and shall be reissued in such manner as shall indicate the changed membership status; provided, however that the estate of the deceased shall not be released from any debts due the Cooperative.

(c) Upon the legal separation or divorce of the Members of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and

to the same effect as though such membership had never been joint; provided, however that neither spouse shall be released from any debts or obligations due the Cooperative on the date of separation or divorce, and electric service to the premises may be terminated in accordance with the rules and regulations of the Cooperative if any bills for electric service to the premises are unpaid.

SECTION 6. Membership Fees.

(a) The membership fee shall be fixed from time to time by the Board.

(b) The membership fee, together with any Additional Fees or any combination thereof, if required by the Cooperative, shall entitle the Member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative, together with any service security deposit, service connection deposit or fee, facilities extension deposit, and/or contribution in aid of construction that may be required by the Cooperative or any combination thereof (collectively, "Additional Fees"), if required by the Cooperative, shall be paid by the Member for each additional service connection requested by the applicant or Member. Cooperative shall have the right to apply such deposit to any Member accounts.

SECTION 7. Purchase of Electric Energy. Each Member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in the Member's account, and shall pay therefor at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by Members as capital and each Member shall be credited with the capital so furnished as provided in these Bylaws. Each Member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each Member shall also pay all amounts owed by such Member to the Cooperative as and when the same shall become due and payable.

SECTION 8. Termination of Membership.

(a) Any Member may withdraw from membership upon payment in full of all debts and liabilities to the Cooperative and upon compliance with such terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds of all directors, expel any Member who (i) fails to comply with any of the provisions of the Governing Documents, but only if such Member shall have been given written notice by the Cooperative that such failure makes such Member subject to expulsion and, if such failure is curable, such Member does not cure such failure within ten (10) days after such notice was given. Any expelled Member may be reinstated by vote of the Board or by vote of the Members at any annual or special meeting.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a Member,

the membership of such Member shall thereupon terminate, and the membership certificate of such Member shall be surrendered forthwith to the Cooperative or may be cancelled by resolution of the Board; provided however, that the foregoing provisions of this Section 8(c) shall not be construed as terminating the membership of the other person in a joint membership with any deceased, withdrawn or expelled Member, unless the Board also determines (in the case of a withdrawal or expulsion) that the membership of such other person is also terminated. If the membership of the other person in a joint membership with the deceased, withdrawn or expelled Member is continuing and if the membership certificate is in the name of the other person, then no action need be taken regarding that certificate; but if the membership certificate is in the name of the deceased, withdrawn or expelled Member, then the Cooperative will issue a new membership certificate in the name of the other person in a joint membership with the deceased, withdrawn or expelled Member. Termination of membership in any manner shall not release a Member or his or her estate from liability for any debts due the Cooperative.

(c) In case of termination of membership in any manner, the Cooperative shall repay to the Member the amount of the membership fee paid by such Member; provided, however that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the Member to the Cooperative.

(d) Inactive memberships will be allowed at request of the Member, and shall be defined as a person or entity holding a membership, but not currently purchasing electrical power from the Cooperative, which inactive membership shall be a non-voting Member.

(e) The membership of a Member who for a period of six (6) consecutive months during which service is available to such Member, has not purchased electric energy from the Cooperative, may be canceled by resolution of the Board.

## ARTICLE II. RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. Upon dissolution of the Cooperative, after (a) all debts and liabilities of the Cooperative shall have been paid, (b) all capital furnished through patronage shall have been retired as provided in these Bylaws, and (c) the amount of all other equities maintained in the names of Members and former Members have been paid; the remaining property and assets of the Cooperative shall be distributed among the Members of the Cooperative as of the date of the filing of the Certificate of Dissolution in the proportion which the aggregate patronage of each bears to the total patronage of all Members as of the date of filing of the certificate of dissolution, to the extent practicable as determined by the Board, unless otherwise provided by applicable law.

SECTION 2. Non-liability for Debts of the Cooperative. The private property of the Members shall be exempt from execution or other 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. MEETING OF MEMBERS

SECTION 1. Annual Meeting. Except as otherwise provided in these Bylaws, the annual meeting of the Members shall be held on the date established by resolution adopted by the Board. The meeting shall be held at such place in a county served by the Cooperative, as may be selected by the Board. The notice of the meeting shall designate the purposes of the meeting, including, to the extent applicable, the purposes of electing directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. The notice of the annual meeting shall also designate the date, time, and place of the meeting. Failure to hold the annual meeting at the designated time shall not work as a forfeiture or dissolution of the Cooperative. For cause deemed adequate by the Board, to be recited in the resolution, the annual meeting of the Members can be postponed not to exceed 100 days, except in case of a Force Majeure Event. Notwithstanding any provision of these Bylaws to the contrary, in case of a Force Majeure Event, such annual meeting may be postponed to a date determined by the Board of Directors to be as soon as reasonably practicable after the removal of the cause, including postponement until the next annual meeting of the Members, and the election of directors shall be held in accordance with Article III, Section 4(f) of these Bylaws. If approved by the Board of Directors in the case of a Force Majeure Event, the annual meeting may be carried out virtually by means of an online electronic network, in whole or in part. "Force Majeure Event" means any cause that is beyond the reasonable control of, and without the fault of, the Board of Directors, including, without limitation, any intervening act of God or public enemy, war, invasion, act of terror, natural disaster, disease, outbreak, epidemic, pandemic, or other declaration of public health emergency, quarantine restriction, and any action of any governmental body or authority.

SECTION 2. Special meetings. Special meetings of the Members may be called by a majority of the directors by a resolution at a regular or called directors meeting, by the President, or, upon a written request signed by at least ten per centum (10%) of all the Members; and, in case of a special meeting, notice of the meeting, including the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, by hand delivery or mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each Member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at such Member's address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any Member to receive notice of an annual or special meeting of the Members, shall not invalidate any action which may be taken by the Members at any such meeting.

SECTION 3. Quorum. One hundred fifty (150) of the Members present (a) at the meeting in person, or (b) by other methods approved by the Board of Directors as provided in this Section 3 shall constitute a quorum for the transaction of business at all meetings of the Members. Members that submit a ballot utilizing any of the following

methods as may be authorized by the Board of Directors are counted as present for purposes of determining whether a quorum is present :

(i) voting by mail ballot or in such other manner as approved by the Board, (including voting by hand delivery of a ballot to a location designated by the Cooperative; provided that any such approved manner of voting shall be conducted in such a way that it can be determined and confirmed that each vote was authorized and cast by the applicable Member);

(ii) electronically via the Cooperative's website; or

(iii) by means of a website or information processing system that the Cooperative has designated or uses to send, receive or transmit documents or information, or to electronically conduct an action, transaction, business, meeting or activity).

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. This Section 3 shall in no way supersede, impair, or affect Article VIII insofar as Article VIII pertains to the minimum number of affirmative votes necessary to authorize the sale of the Cooperative's property in such instances when the affirmative vote of Members is necessary to authorize such a sale.

SECTION 4. Voting.

(a) Each Member of legal voting age under the laws of the State of Texas shall be entitled to one (1) vote and no more, regardless of the number of meters held, upon each matter submitted to a vote at a meeting of the Members. Any Member casting a vote through such manners of voting approved by the Board in accordance with Section 3 shall be deemed to have cast the equivalent of a mail ballot pursuant to the Electric Cooperative Corporation Act (the "Act"). At all meetings of the Members at which a quorum is present, all questions shall be decided by a vote of a plurality of the Members voting thereon, except as otherwise provided in subsection (f) below in the case of an Event of Force Majeure. If two spouses hold a joint membership, they shall jointly be entitled to one (1) vote, and no more, upon each matter submitted to a vote at a meeting of the Members. Notwithstanding any provision of these Bylaws to the contrary, if only one individual is nominated to run for election for a director position scheduled for election by Members at the meeting of Members, then the individual presiding at such meeting may announce that the nominated individual is elected by acclamation and no vote is required. This Section 4 shall in no way supersede, impair, or affect Article VIII insofar as Article VIII pertains to the minimum number of affirmative votes necessary to authorize the sale of the Cooperative's property in such instances when the affirmative vote of Members is necessary to authorize such a sale.

(b) Persons casting votes for organizations (i.e. corporations, churches, associations, partnerships, trusts, or other types of associations or businesses) must have on file at the Cooperative's office, or in hand, a resolution certified by the appropriate officer naming and authorizing a person, and/or an alternate person to vote as its authorized representative for such organization.

(c) All estates shall be voted by the duly appointed executor, administrator, or if the membership is a joint membership, by the joint survivor, or any one of the three. Before any of the three shall be allowed to vote, there shall be on file with the Cooperative, or the person voting shall have in hand a duly signed request naming the executor, or the administrator, or the surviving joint Member of the deceased Member.

(d) In addition, no Members shall be registered to vote after the point in the annual meeting, or called meeting, at which time the person conducting such meeting receives a motion and second.

(e) Written or printed notice of meetings of Members stating the place, date and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice be transacted, the purpose or purposes for which the meeting is called, shall be delivered to each Member not less than ten (10) days nor more than thirty (30) days before the day of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the person calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at such address as it appears on the record of the Cooperative, with postage thereon prepaid. The failure of any Member to receive notice of annual or special meeting of the Members, shall not invalidate any action which may be taken by the Members at any such meeting.

(f) Notwithstanding any provision of these Bylaws to the contrary, if an annual meeting of the Members is not held due to a Force Majeure Event as provided in Article III, Section 1 of these Bylaws, (i) the election of directors can be postponed until a date determined by the Board to be as soon as reasonably practicable after removal of the cause, including postponement until the next annual meeting of the Members or (ii) the election of directors can be held without a meeting of the Members, in which case voting shall be conducted in accordance with Article III, Section 3 of these Bylaws as determined by the Board.

(g) Notice, dissemination of documents and actions may be completed by electronic means as determined by the Board and as allowed by law. An electronic document electronically sent or transmitted to a Member at the Member's last known electronic address is considered sent, received, transmitted, and effective on the date sent by the Cooperative. If electronically delivered, such notice shall be deemed to be delivered when sent to the last known electronic address of the Member for which no non-delivery notice is returned. If a Member

has reasonable access to appropriate hardware and software, then under such terms and conditions as the Board determines and as allowed by law, the Member consents and agrees to (A) use, accept, send, receive, and transmit an electronic signature, contract, record, notice, communication, comment, and other document regarding an action, transaction, business , meeting, or activity with, for, or involving the Cooperative; (B) electronically conduct an action, transaction, business, meeting, or activity with, for, or involving the Cooperative; and (C) electronically give or confirm this consent and agreement.

SECTION 5. Order of Business.

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

(a) Call of the roll or acceptance of registration list in lieu thereof;

(b) Reading of the 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;

(c) Reading of unapproved minutes of previous meetings of the Members and the taking of necessary action thereon;

(d) Election of directors;

(e) Presentation and consideration of, and acting upon, reports of officers, directors and committees;

(f) Unfinished business;

(g) New business;

(h) Adjournments.

The Board of Directors shall prepare an agenda for the annual meeting each year. Such agenda shall be prepared at the Board of Directors meeting held not fewer than sixty (60) days prior to the date that the annual meeting shall be held. Any person desiring to present new business for such annual meeting shall submit a request, in writing, that the Board of directors place such matter on the agenda. The request shall be in writing and delivered by hand delivery or certified mail to the Board of directors no later than the Monday preceding the date of the Board of Directors meeting at which the agenda shall be prepared. The Board of Directors shall determine whether to place a properly requested matter on the agenda. Only those matters placed on the agenda for an annual meeting may be submitted to a vote of the Members at such annual meeting.

ARTICLE IV. BOARD OF 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 powers as are by law, by the Articles of Incorporation of the Cooperative or by these Bylaws, conferred upon or reserved to the Members.

SECTION 2. Term of Office. At annual meetings of the Members, the directors shall be elected for three-year terms as follows: one director from or with respect to each of the directorate districts numbers 2, 5 and 6 shall be elected for three-year terms at an annual meeting; one director from or with respect to each of the directorate districts numbers 1 and 4 shall be elected for three-year terms at the next succeeding annual meeting; and one director from or with respect to directorate districts numbers 3 and 7 shall be elected for three-year terms at the next succeeding annual meeting, and so forth. Upon their election and subject to the provisions of these Bylaws with respect to the removal of directors, directors shall serve until the annual meeting of the Members of the year in which their terms expire and/or until their successors shall have been elected and shall have qualified.

SECTION 3. Qualifications. To become and remain a director, a Person must comply with the following general qualifications ("Director Qualifications"):

(a) be an individual who has been a Member in good standing for the most recent twelve (12) months prior to becoming a candidate for Director and who maintains their principal place of residence in the area certified by the Public Utility Commission as being within boundaries served by the Cooperative under its certificate of convenience and necessity, and whose domicile is receiving electric service from the Cooperative. A Member in "good standing" means a Member who has not been subject to disconnection for nonpayment within the most recent twelve (12) months. "Subject to disconnection" means payment for electric service has not been made by the "Pay By Date" listed on the Disconnect Notice.

(b) be above the legal voting age;

(c) have not been previously removed or disqualified as a director;

(d) while a candidate for director, while a director and during the five years immediately before becoming a candidate for director or a director, not be convicted of, or plead guilty to, a felony or a misdemeanor involving moral turpitude;

(e) before becoming a director, graduate from high school or earn an equivalent degree or certification;

(f) except as otherwise provided by the Board for good cause, attend at least three-fourths of all Board Meetings during each twelve-month period and to periodically attend certain continuing education programs for directors;

(g) while a director and during the three years immediately before becoming a director, is not engaged in business with, employed by or materially affiliated with, and does not have a material financial interest with another director, a competing enterprise, or a business selling electric energy, supplies or services to the Cooperative or its Members;

(h) is not the incumbent or a candidate for an elective public office in connection with which a salary is paid;

(i) is not a Close Relative (defined below) of an incumbent director or Cooperative employee;

(j) an individual who was, at one time, or is currently, employed by or an independent contractor of the Cooperative is not eligible to serve as a director until at least sixty (60) months after leaving the employment of or contracting with the Cooperative. Once becoming a director, an individual will not be eligible to be employed by the Cooperative until at least sixty (60) months after leaving the position of director;

(k) be bondable; and

(l) comply with any other reasonable qualifications determined by the Board, including but not limited to director training sessions, workshops and conferences.

Close Relative Defined. As used in these Bylaws, "Close Relative" means a person who is related within the first degree or second degree by blood, adoption or marriage (including common law), or family–in-law. First degree, second degree, and family-in-law relatives are defined as a spouse, mother, father, mother-in-law, father-in-law, grandfather, grandmother, grandson, granddaughter, son, daughter, son-in-law, daughter-in-law, uncle, aunt, nephew, niece, brother, sister, brother-in-law, sister-in-law, and step relatives to the same degree aforementioned.

Nothing in this section contained, shall, or shall be construed to, affect in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors. Districts are defined on key maps filed in the Cooperative office.

SECTION 4. Director Disqualification. Only individuals complying with or meeting the Director Qualifications provided in Section 3 above may become or remain a director. After being elected, designated or appointed, if any director fails to comply with or meet any Director Qualification, unless otherwise determined by the Board of Directors for good cause, the Board of Directors shall disqualify the director and the individual is no longer a director, provided that:

(a) The Board of Directors notifies the director in writing of the basis for, and provides the director an opportunity to comment regarding, the Board's proposed disqualification; and

(b) Within thirty (30) days after the Board of Directors notifies the director of the proposed disqualification, the director neither complies with nor meets the Director Qualifications.

SECTION 5. Nominations.

(a) Nominations by Nominating Committee. It shall be the duty of the Board of Directors to appoint, not less than sixty (60) days nor more than ninety (90) days before the date of a meeting of the Members at which directors are to be elected, a committee on nominations consisting of one (1) Member from each district for which a director is to be elected, and one (1) Member at large, who shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the Board of Directors shall be appointed a member of such committee. Not less than forty-five (45) days prior to the annual meeting, the nominating committee shall nominate one (1) or more nominees for each director position whose term expires at the upcoming annual meeting. The committee shall prepare and post at the principle office of the Cooperative, at least twenty (20) days before the meeting, a list of nominations for directors, or in the event of an election without a meeting due to a Force Majeure Event, nominations shall be posted not later than the twenty (20) days prior to the date of the election. The term of each nominating committee shall expire one (1) day after the conclusion of the membership meeting for which such committee was appointed.

(b) Nominations by Petition. Any fifty (50) or more Members residing, at the time of such nomination, in the district for which a director is to be elected, acting together may by written petition signed by such Members nominate for director a nominee residing in such nominating area; provided, however that such written petition must be received by the Cooperative at the Cooperative's principal office to the attention of the General Manager not later than forty-five (45) days prior to the annual meeting of Members or any membership meeting at which directors are to be elected, or in the event of an election without a meeting due to a Force Majeure Event, such written petition must be received not later than forty-five (45) days prior to the date of the election. The secretary shall post such nomination at the principle office of the Cooperative, at least twenty (20) days before the meeting or in the event of an election without a meeting due to a Force Majeure Event, such nomination shall be posted not later than the twenty (20) days prior to the date of the election.

(c) Notice of Nominations. The Secretary shall mail, with the notice of the meeting, or separately, but at least ten (10) days prior to the meeting, a statement of the number of directors to be elected; and showing separately the nominations made by the committee on nominations, by petition and by the incumbent director, if any.

(d) Nominations at the Meeting. At the meeting of the Members at which directors are

to be elected, Members may not make nominations from the floor or nominate or vote for write-in candidates.

Notwithstanding any provision of this section to the contrary, failure to comply with any of the provisions of this section, shall not affect in any manner whatsoever the validity of any election of directors.

SECTION 6. Vacancies. Subject to the provisions of these Bylaws, with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the next annual meeting of the Members and shall run for election for the unexpired term; provided, however that a period of sixty (60) days shall have elapsed before the appointment is made.

SECTION 7. Compensation. Directors, as such, shall not receive any salary for their services; but, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors, committee meetings and such other meetings, conferences or events as determined by resolution of the Board of Directors. Except in emergencies, no director shall receive compensation for serving the Cooperative in any other capacity, nor shall any Close Relative of a director receive compensation for serving the Cooperative, unless such compensation shall be specifically authorized by a vote of the Members. A portion of such fixed sum, in the event the directors so decide, may be in the form of the payment of health care insurance premiums.

SECTION 8. Removal of Directors.

(a) Removal by the Members. A director may be removed for cause by the affirmative vote of two-thirds (2/3) of the Members present at a meeting of Members; provided, however that only one (1) director may be removed in any 12-month period. “Cause” for removal by the Members includes, but is not limited to, breach of the director's fiduciary duty to the Cooperative or conduct adversely affecting the Cooperative amounting to gross negligence, fraud or criminal conduct. No director shall be removed except upon certification that the following procedures have been followed:

(i) A written petition must be presented to the Board, which petition shall:

1. Describe in detail each of the charges and their basis. If more than one director is sought to be removed, individual charges for removal shall be specified.

2. Be signed by a minimum of ten percent (10%) of the Members of the Cooperative within sixty (60) days prior to the date of the petition.

(ii) If the Board determines that the petition complies with paragraph (a), and only if the Secretary certifies the authenticity of the petition, a meeting of the

Members shall be noticed in accordance with these Bylaws and shall be held within sixty (60) days after receipt by the Cooperative of the written petition.

(iii) The director or officer against whom such charges have been brought shall be informed in writing of the charges prior to the meeting of the Members and shall have an opportunity at such meeting to be heard in person or by counsel; and the person or persons bringing the charges against such director or officer shall have the same opportunity.

(b) Removal by the Board of Directors. The Board of Directors may remove a director for Cause only as provided in this section. "Cause" for removal by the Board of Directors shall mean that the director has failed to comply with or meet any of the Director Qualifications set forth in the Bylaws; has violated applicable policies of the Cooperative; or is legally incapacitated; provided, however that the determination to remove a director is made by the vote of two-thirds (2/3) of the directors who meet all of the required qualifications. No director shall be removed by the Board of Directors except upon completion of the procedures required under Article IV, Section 4 of these Bylaws for Director Disqualification.

(c) Vacancies. Vacancies created by the removal and/or disqualification of directors shall be filled as otherwise provided in these Bylaws.

## ARTICLE V. MEETING OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice, other than these Bylaws, immediately after and at the same place as the annual meeting of the Members for the purpose of electing officers and such other business as may come before the meeting. A regular meeting of the Board of Directors shall also be held monthly at such time and place within one of the counties served by the Cooperative, as designated by the Board of Directors. Such regular monthly meetings may be held without notice.

SECTION 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or a majority of 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.

In an emergency, the President may call a special meeting of the Board of Directors within four (4) hours by notifying all members of the Board of Directors by telephone or email of such meeting, and such notice shall include the time and place of the meeting.

SECTION 3. Notice. Except in the event of an emergency as provided above, notice of the time, place and purpose of any special meeting of the Board of Directors, shall be given at least five (5) days prior thereto by written notice delivered personally or by email or U.S. mail to each director at his or her last known physical or email address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If delivered by email, such

notice shall be deemed to be delivered when sent electronically to the email address most recently provided by the director to the Cooperative. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting; except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors; provided, however 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, except when a two-thirds majority vote is required.

SECTION 6. Participation in Board Meetings by Remote Communication. Notwithstanding any provision of these Bylaws to the contrary, a regular or special meeting of the Board of Directors may be conducted with directors not physically present but deemed present in person through a means of telephonic, electronic or other remote communication by which all directors participating in the Board of Directors meeting may simultaneously hear, reasonably and verifiably identify themselves, and generally simultaneously and instantaneously communicate with each other during the Board of Directors meeting. Directors that are not physically present may deliberate and vote on the question of approving telephonic or electronic participation. A vote to approve telephonic, electronic or other remote communication participation in any Board meeting is exempt from the notice requirement herein specified.

ARTICLE VI. OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, Assistant Secretary and Assistant Treasurer, and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person. The offices of the Assistant Secretary and Assistant Treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected by an affirmative vote of a majority of all of the directors, by voice or by ballot, annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the Members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the Members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

SECTION 3. Removal or Resignation of Officers and Agents. Any Board officer and any Cooperative officer or agent elected or appointed by the Board may be removed by the

Board whenever, in its judgment, the best interests of the Cooperative will be served thereby. In addition, any Board officer or Cooperative officer may resign from office at any time by giving written notice of resignation to the Board. The removal or resignation from office of or by any Board officer shall not necessarily affect such director's continued service as a director, but a director who is removed or resigns as director in accordance with these Bylaws shall cease to be a Board officer upon his or her removal or resignation.

SECTION 4. President. The President shall:

(a) be the principal executive officer of the Cooperative and, unless otherwise determined by the directors, shall preside at all meetings of the Board and attend all meetings of the Members;

(b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

(c) in general, perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

SECTION 5. Vice President. In the absence of the President, or in the event of his or her inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to such officer by the Board.

SECTION 6. Secretary. The Secretary shall be responsible for:

(a) keeping the minutes of the meetings of the Members and of the Board in books provided for that purpose;

(b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;

(c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;

(d) keeping a register of the names and addresses of all Members;

(e) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any Member) and at the expense of the

Cooperative furnishing a copy of the Bylaws and of all amendments thereto to any Member upon request; and

(f) in general, performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to such officer by the Board.

SECTION 6A. Assistant Secretary. The duties of the Assistant Secretary shall be all those given to the Secretary herein, in the absence of the Secretary.

SECTION 7. Treasurer. The Treasurer shall be responsible for:

(a) custody of all funds and securities of the Cooperative;

(b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and

(c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

SECTION 7A. Assistant Treasurer. The duties of the Assistant Treasurer shall be all those given to the Treasurer herein, in the absence of the Treasurer.

SECTION 8. General Manager. The Board shall appoint a manager ("General Manager") who may be, but who shall not be required to be, a Member of the Cooperative. The General Manager shall perform such duties and shall exercise such authority as the Board may from time to time vest in him or her.

SECTION 9. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with the responsibility for custody of any of its funds or property shall be bonded in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 10. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation for a director and Close Relatives of a director.

SECTION 11. Reports. The officers of the Cooperative shall submit at each annual meeting of the Members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the conditions of the Cooperative at the close of such fiscal year.

## ARTICLE VII. NON-PROFIT OPERATION

SECTION 1. Definitions. In this Article VII, the term "patron" means a Member of the Cooperative who is eligible to receive an allocation of capital credits as a result of the purchase of electric energy from the Cooperative as defined in Section 7 of these Bylaws.

SECTION 2. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid, or payable, by the Cooperative on any capital furnished by its patrons.

SECTION 3. Capital Credits in Connection with Furnishing Electric Energy.

(a) Allocations. In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy on a patronage basis ("Net Margins from Patronage Business"). All such Net Margins from Patronage Business, at the moment of receipt by the Cooperative, are received with the understanding that they are furnished by the Members and non-Members as capital.

(b) Capital Credited. The Cooperative is obligated to equitably allocate and credit to a capital account for each patron all such Net Margins from Patronage Business. 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 allocated to and contributed by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. Furthermore, the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to such Patron's account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash pursuant to a legal obligation to do so and the patron had to then furnish the Cooperative corresponding amounts for capital that will be retired at some time in the future pursuant to subsection (g) below ("Capital Credits").

(c) Loss Recovery. If operating costs and expenses exceed the amounts received and receivable from the furnishing of electric energy, hereinafter referred to as "loss," then the Board shall have the authority, under accepted accounting practices, loan covenants, and federal cooperative tax law, to prescribe the manner in which such loss shall be handled in determining Capital Credits.

(d) Board Policy. Notwithstanding other provisions of this Article VII to the contrary, the Board of Directors, acting through policy has the authority to determine based on different functions and/or services, for example, revenue or rate class, the kind, timing, method and type of allocation; provided however, that such methods are fair and reasonable on the basis of patronage. This includes, but is not limited to, the authority to determine the items of revenue included in the definition of patronage; provided, further however, such items of revenue are directly related to the furnishing of electric energy sold by the Cooperative on a wholesale or retail basis to the patron(s). Such allocation methods may include separate allocation units for recognizing differences in contributions to margins among rate classes, goods or services provided in the furnishing of electric energy. Such policies shall consider the separate allocation and retirement of Capital Credits received by the Cooperative from other entities and organizations providing goods or services to the Cooperative on a patronage basis.

(e) Non-operating Margins. All other amounts received by the Cooperative from its operations in excess of costs and expenses, other than from the furnishing of electric energy, may in the discretion of the Board and insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year (b) used to establish reserves and other capital not assignable to the patrons prior to the dissolution of the Cooperative, and (c) to the extent not needed for these purposes, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

(f) Dissolution or Liquidation. In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding Capital Credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of Members.

(g) Method of Retirement. The Cooperative may retire and pay Capital Credits in cash or such other property as the Board of Directors may determine, which are allocated to patrons and former patrons as provided in these bylaws.

a. General Retirement. 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 Credits may be retired in full or in part. In retiring such Capital Credits, the Board shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as Capital Credits

b. Special Retirement. The Board of Directors, acting under policies of general application to similar situations or as may be negotiated from time to time, may approve an early retirement prior to when such Capital

Credits would generally be retired; provided, however:

i. that the financial condition of the Cooperative will not be impaired thereby;

ii. the payment portion of such early retirement shall be on a discounted and net present value basis in order to reflect the time value of money due to the early retirement of said Capital Credits;

iii. such policies shall establish the criteria used in determining the discounted and net present value of early retirements and shall take into considerations market based discount rates;

iv. the difference between the total amount of Capital Credits retired and the cash payment of such early retirement shall be considered a contribution of capital to and part of the net savings of the Cooperative or, subject to Board action that legally binds the Cooperative to maintain records of this difference by patron or former patron, shall be a form of retained but allocated capital for purposes of distributing the cumulative amount of all such differences to the respective patron or former patron upon dissolution and liquidation of the Cooperative.

c. Special Retirements – Estates of Natural Persons. Notwithstanding any other provision of these Bylaws to the contrary, the Board, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however that the financial condition of the Cooperative will not be impaired thereby.

(h) Method of Paying Amounts Retired. When Capital Credit retirements are approved by the Board, the Cooperative shall be obligated to pay to each patron or former patron his share of the capital so retired in accordance with these Bylaws in whatsoever manner (i.e. cash, check or bill credit) that the Board determines most efficient and convenient. The Board of Directors may also establish a nominal fixed amount below which a check shall not be issued and the amount of such retired but unpaid Capital Credits will be paid in the first following year that the total amount of Capital Credits qualifying for Retirement exceeds the nominal amount set by the Board of Directors, including the amount carried over. Regardless of the nominal fixed amount set by the Board of Directors, a check shall be issued to a former patron if all such retirements

fully retire the Capital Credits balance of such former patron.

(i) Minimum Balance. The Board of Directors, acting under policies of general application, may establish a fixed sum at or below which the Capital Credits of any former Patron may be retired in full as de minimis; provided, however, such retirements of de minimis Capital Credits balances shall be made only in conjunction with a general retirement to other patrons and if the financial condition of the Cooperative will not be impaired thereby.

(j) Right of Offset. The Cooperative shall have the right to offset the retirement approved by the Board for a patron against the debt owed to the Cooperative by such patron. The Cooperative, before retiring any Capital Credit of any patron's account, shall deduct from the retirement of Capital Credits any amount owing by such patron to the Cooperative. This provision shall apply to all retirements of Capital Credits.

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

(l) Patronage Agreement. The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and such patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article VII of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office or on the Cooperative's website.

## ARTICLE VIII. 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 per centum (10%) of the value of all of the property of the Cooperative;

(b) services of all kinds, including electric energy; and

(c) personal property acquired for resale; 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 total number of Members of the Cooperative, at a special called or annual meeting, voting 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, Reconstruction Finance Corporation, or any agency or instrumentality thereof, or from the National Rural Utilities Cooperative Finance Corporation or any other bona fide lender or lenders, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidences of indebtedness and, to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, wherever situated, and whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors shall determine; provided further that the Board may upon the authorization of a majority of the Members voting thereon, sell, lease, or otherwise dispose of all or a substantial portion of its property to another electric Cooperative doing business in this State pursuant to the Act under which this Cooperative is incorporated. No proxy voting shall be permitted in the disposition of any property of the Cooperative.

ARTICLE IX. SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words “Corporate Seal Texas”.

ARTICLE X. FINANCIAL TRANSACTIONS

SECTION 1. Contracts. Except as otherwise provided in these Bylaws, the Board may authorize any officer or officers, agent. or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned 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.

SECTION 3. Deposits. All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such financial institutions or governmental agencies as the Board may select.

SECTION 4. Fiscal Year. The Board may determine and modify the Cooperative’s fiscal

year. Except as otherwise provided by the Board, the fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XI. MISCELLANEOUS

SECTION 1. Membership in Other Organizations. The Cooperative shall not become a member of, or purchase stock in, any other organization without an affirmative vote of the Members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase; provided, however that the Cooperative may, upon the authorization of the Board, purchase stock in, or become a Member of, any corporation or organization organized on a non-profit basis for the purpose of engaging in, or furthering the cause of, rural electrification, or with the approval of the Administrator of RUS, or any other corporation for the purpose of acquiring electric facilities.

SECTION 2. Policies, Rules and Regulations. The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 3. Accounting System and Reports. The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to, applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utility Services Administration of the United States of America. The Board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative at the end of such fiscal year. A report of such audit shall be submitted to the Members at the next following annual meeting.

SECTION 4. Area Coverage. The Board shall make diligent effort to see that electric service is extended to all persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

SECTION 5. Limiting Liability of Directors. To the fullest extent permitted by law, a director shall not be liable to the Cooperative or to its Members, for monetary damages for an act or omission in the director's capacity as a director, except that this article does not eliminate or limit the liability of a director for: (1) a breach of the director's duty of loyalty to the Cooperative of its Members; (2) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law; (3) a transaction from which a director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; or (4) an act or omission for which the liability of the director is expressly provided for by statute.

SECTION 6 – Indemnification of Directors and Officers. The Cooperative shall indemnify its directors and officers, including the General Manager, to the fullest extent permitted

by law from and against all judgment, penalties, fines, liabilities, amounts paid in settlement and reasonable expenses, including counsel fees actually incurred by or imposed upon such person in connection with any proceeding to which such person was, is or is threatened to be made a party, or in which such person may become involved, by reason, in whole or in part, of being or having been a director or officer of the Cooperative, whether or not such person is a director or officer, at the time such expenses are incurred; provided, however that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interest of the Cooperative. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled. To the extent authorized by the Board, the Cooperative may indemnify and advance reasonable expenses to any other person whom it has the power to indemnify against liability, reasonable expense, or any other matter whatever. The Board may also cause the Cooperative to purchase and maintain insurance to indemnify or hold harmless an existing or former director, officer or other person whom it has the power to indemnify against liability, reasonable expenses, or other matter whatever.

ARTICLE XII.

As used in these Bylaws, whenever the context so indicates, the masculine or feminine gender, and the singular or plural number, shall each be deemed to include the others.

ARTICLE XIII. AMENDMENTS

The Bylaws may be altered, amended or repealed, by not less than the affirmative vote of two-thirds (2/3rds) of all the Board of Directors at any regular or special meeting.