

**BYLAWS**  
**NUECES ELECTRIC COOPERATIVE, INC.**  
Robstown, Texas

**ARTICLE I**

Membership

***Section 1. Requirements for Membership.***

Any

- (1) natural person,
- (2) firm,
- (3) association,
- (4) corporation,
- (5) business trust,
- (6) partnership,
- (7) limited liability company,
- (8) state, state agency, or state political subdivision,
- (9) the United States of America, or any federal agency or federal political subdivision, or
- (10) other body politic (collectively, "Person"):
  - (A) as required or allowed by law, using, receiving, or purchasing any service, product, commodity, equipment, or facility from or through Nueces Electric Cooperative, Inc. ("Cooperative") reasonably related to the Cooperative furnishing, or the Person receiving, electric power; or
  - (B) as required or allowed by law, using, receiving, or purchasing any other service, product, commodity, equipment, or facility from or through the Cooperative reasonably related to the Cooperative furnishing, or the Person receiving, any utility service;

collectively ("Cooperative Services") is eligible to become a member provided the Person has first

- (i) made a written application for membership therein;
- (ii) agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board;
- (iii) paid the membership fee hereinafter specified; and
- (iv) agreed to purchase any Cooperative Services specified above.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative may be transferable, except as provided in these Bylaws. The membership of the Cooperative shall be divided into multiple classes, as determined by geographic location. Those members who receive Cooperative Services within the boundary of the Certificated area of the Cooperative, as determined by the Public Utilities Commission the "Certificated Area", shall be Class W members. Those members who receive Cooperative Services outside of the Certificated Area shall be Class N members. In the event a person receives Cooperative Services both inside the Certificated Area and outside the Certificated Area for purposes of membership, classification shall automatically be deemed a Class W member.

***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. Such certificate shall be signed by the President and the Secretary of the Cooperative and the Corporate Seal shall be affixed thereto. No membership certificate shall be issued for less than the membership fee in these Bylaws, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued therefor upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

***Section 3. Joint Membership.***

A husband and wife shall constitute a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these Bylaws shall be deemed to include a husband and wife 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;
- (g) Either but not both may be elected or appointed as an officer or board member, provided that both meet the qualifications for such office.

***Section 4. Conversion of Membership***

- (a) A joint membership may be converted to a membership upon the written request of the holders thereof and the agreement by such holders to comply with the Articles of Incorporation, Bylaws, and rules and regulations adopted by the Board of Directors. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such a manner as shall indicate the changed membership status.
- (b) Upon death of either spouse who is a party to the joint membership, such membership shall be solely by the survivor. The outstanding membership certificate shall be surrendered and shall be reissued in such a 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.

***Section 5. Membership Fees.***

The membership fee shall be fifteen dollars (\$15.00), upon the payment of which a member shall be eligible for one or more service connections.

***Section 6. Purchase of Cooperative Services.***

Each member shall purchase from the Cooperative, Cooperative Services used on the premises specified in his application for membership and electric service, and shall pay therefor at rates which shall from time to time be fixed by the Board of Directors. It is expressly understood that amounts paid for Cooperative Services in excess of the cost of service are furnished by the 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 Cooperative Services consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when same shall become due and payable.

***Section 7. Termination of Membership.***

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors may, by affirmative vote of not less than two-thirds of all members of the Board of Directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have been continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by a vote of the members at any annual or special meeting of the members. The membership of a member who for a period of six (6) months after service is available to him, has not purchased energy from the Cooperative, may be canceled by resolution of the Board of Directors .

- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such a member shall thereupon terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him 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.

**Section 8. Membership Lists**

Full or partial listings of the membership of the cooperative shall not be made available to any public without the express written and recorded approval of the Board of Directors as approved at a regular or special meeting of the Board. A full or partial dispensation of the membership list will only be made after adoption of such action by a two-thirds (2/3) majority of the Board at a duly called meeting of the Board. Any person, persons, corporations or political bodies which requests a full or partial membership list shall submit in writing the full purpose of the request. Such submittal shall include personal guarantees that said lists shall only be used for the purposes stated and shall not, by any means, ever be released to another party, shall not be duplicated and shall be returned to the cooperative within a reasonable amount of time.

**ARTICLE II**

Rights and Liabilities of Members

**Section 1. Property Interest of Members.**

Upon dissolution, after

- (a) All debts and liabilities of the Cooperative shall have been paid and
- (b) all capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten years next preceding the date of the filing of the certificate of dissolution.

**Section 2. Non-liability for Debts of the Cooperative.**

The private property of the member of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

**ARTICLE III**

Meeting of Members

**Section 1. Annual Meeting.**

The annual meeting shall be held during the months of September or October of each year at such place within the service area of the Cooperative and at a date selected by the Board of Directors and which shall be designated in the notice of the meeting, for the purpose of electing board members or directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting of the members. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**Section 2. Special Meetings.**

Special Meetings which are called by ten per centum or more of all of the members shall be conducted upon receipt of petitions, which forms shall be provided by the cooperative, which are properly completed. Filing and verification instructions shall be provided by the cooperative. Each page of the petition shall state the purpose of the requested Special Meeting and be dated. No petitions with a start date in excess of ninety (90) days shall be considered.

***Section 3. Notice of Members' Meetings.***

Written or printed notice stating the place, day, 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 days nor more than thirty days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons calling the meeting, to each member. If mailed, such notice, shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. Failure of any member to receive notice of an annual or a special meeting of the members, shall not invalidate any action which may be taken by the members at any such meeting.

***Section 4. Quorum.***

As long as the total number of members does not exceed one thousand (1,000), at least fifteen percentum (15%) of the total number present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members provided at least five percentum (5 %) of the total number of members are present in person. In case the total number of members shall exceed one thousand (1,000) then at least one hundred fifty (150) of the members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings. 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. The minutes of each meeting shall contain a list of the members present in person.

***Section 5. Voting.***

Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote by mail or 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, by proxy, or by mail, except otherwise provided by law or the Articles of Incorporation, or these bylaws. If a husband and wife hold a joint membership they shall be jointly entitled to one (1) vote and no more upon each matter submitted to a vote of the members. The Board of Directors may, pursuant to The Electric Cooperative Corporation Act, Article 1528b, Section 15, authorize members to vote by mail on any matter that may be voted on by the members.

***Section 6. Proxies.***

At all meetings of the members, a member may vote by proxy executed in writing by the member. Such proxy shall be filed with the Secretary before or at the time of the meeting. No proxy shall be voted at any meeting of the members 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 one so designated or any adjournment of such meeting. No member shall vote as proxy for more than three (3) members at any meeting of the members. Proxies shall be valid no earlier than the date of the last primary election meeting, or if no primary election meetings are to be held, no earlier than sixty (60) days before the annual meeting. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed by him and such member shall be entitled to vote at such a meeting in the same manner and with the same effect as if he had not executed the proxy.

***Section 7. 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, except as otherwise determined by the members at such meeting:

1. Call of the roll and report of number of members present in order to determine the existence of quorum.
2. Reading of notice of the meeting and proof of due publication or mailing thereof, or the waiver or waivers of notice of the meetings 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

### Directors

#### ***Section 1. General Powers.***

The business affairs of the Cooperative shall be managed by a board of ten (10) directors which shall exercise all the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the members.

#### ***Section 2. Qualifications and Tenure of Office.***

The persons named as board members in the Articles of Incorporation shall compose the Board of Directors until the first annual meeting of the members or until their successors shall have been elected and shall have qualified. At such annual meeting of the members beginning with the year 1951, directors shall be elected by secret ballot, by and from the members, one director to represent each of the nine districts as set out in Article IV, Section 3, of the bylaws. At the meeting of directors following the annual meeting of the members in 1951, the directors shall determine by lot three (3) directors to serve until the annual meeting of members in 1952, three (3) directors to serve until the annual meeting of members in 1953, and three (3) directors to serve until the annual meeting of members in 1954. At the annual meeting of members in 1952, and at each annual meeting of members thereafter, three (3) directors shall be elected from the districts represented by those directors whose terms expire at such annual meetings. The directors elected at each annual meeting of the members beginning in 1952 shall serve until the third annual meeting of the members following their election. All Directors shall serve until their successors shall have been elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of Directors. No member shall be eligible to become or remain a director or to hold any position of trust in the Cooperative who is not a bonafide resident in the district area served by the Cooperative, or who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the or contracting with the Cooperative. No member shall be eligible to serve on the Board of Directors who has been removed from the Board of Directors pursuant to the Board's authority under Section 6(b)(ii) or resigned following a request to do so in lieu of being removed. Upon establishment of the fact that a director is holding the office in violation of any of the foregoing provisions the Board of Directors shall remove such director from office. 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 shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless both meet or shall meet the qualifications hereinabove set forth. Nothing in this section contained shall or shall be construed to affect in any manner whatsoever the validity of any action at any meeting of the Board of Directors.

#### ***Section 3. Voting Districts.***

The territory served or to be served will comprise ten (10) districts. The original territory served or to be served by the Cooperative's Distribution Service Provider (DSP) function, as designated in the Cooperative's PUCT certificated service territory, (the "Certificated Area") shall be divided into nine (9) districts, each of which will contain as nearly as possible the same geographic size regardless of the number of members in each district. The tenth district shall be comprised of all members served by the Cooperative's Competitive Retailer outside of the Cooperative's PUCT certificated service territory.

The ten (10) directors shall determine what territory shall be included in each of the nine (9) separate districts in the Certificated Area and set out in the minutes of the meeting or meetings of the directors a description of the boundaries of each district, so that each district within the PUCT certificated service territory will contain approximately the same geographic size regardless of the number of members in each district. In the case of the tenth district allowances will be made such that the size of district ten (10) may be larger than any of the other nine districts.

The Board of Directors shall review the boundaries and if necessary make adjustments every three (3) years.

#### ***Section 4. Nomination of Candidates for Directors.***

Candidates for directors for the ten (10) separate voting districts as described in Section 3 above shall be determined from petitions signed by qualified members with accounts within the voting districts. However,

not more than two (2) candidates for director of a voting district shall be selected from those members seeking nomination and who have fulfilled the petition requirements. Members seeking nomination as a director must reside within the district in which they seek nomination, and they must meet the qualifications for director as set forth in these bylaws.

Director candidates must request in person, and sign for, an official petition form and instruction sheet from the Cooperative office not earlier than one hundred and twenty (120) days before the membership meeting at which the director for that voting district is to be elected. The petition form shall be numbered by the Cooperative and shall not be reproduced. Each page of the petition shall state the name of the director candidate and the voting district number. At least fifteen (15) signatures of qualified members within the voting district will be required to nominate a member from that district for a position on the Board. A qualified member can sign only one petition per district. If a member signs more than one petition within a district, that signature becomes invalid on all petitions signed within that district.

Completed petition forms must be returned to the Chief Executive Officer, or his designee, at the Cooperative office during normal business hours by the director candidate not later than seventy-five (75) days prior to the Annual Membership Meeting. Petition forms received after the above deadline shall be void. Designees of the Board of Directors will authenticate petition signatures not later than sixty-five (65) days prior to the Annual Membership Meeting.

In the event more than two (2) qualified petitions for a voting district are submitted to the Cooperative, a primary election will be held for that voting district to determine the two candidates for the membership meeting election ballot. The primary election meeting must be held at a public place in such district, not less than thirty-five (35) days before any meeting of the members at which directors are to be elected. Qualified members in that voting district shall be provided with a mail-in ballot and candidate information, which shall be delivered to each member located in such district as provided in Section 3 of Article III, and shall indicate the district to which such member belongs. The notice of a primary election meeting shall state that the two candidates for director will be determined at the meeting. Ballots will be accepted until the primary election meeting is called to order. Proxy voting shall not be permitted.

The primary election meeting shall be called to order by the director representing such district or by another designated representative of the board of directors, or in their absence, by any member residing within the district. The members shall proceed to elect a chairman (by majority vote), who shall be someone other than a director. The chairman shall appoint a secretary to act for the duration of the meeting. The meeting shall be open for discussion of any matters specified in the notice pertaining to the business of the Corporation.

Ballots will be counted at the primary election meeting by a ballot counting committee. Each primary election candidate may designate one member to serve on the Ballot Counting Committee; additional members of the committee will be designated by the Chairman. The two primary election candidates receiving the highest number of votes shall be the official candidates for that district. The minutes of the primary election meeting shall set forth, among other matters, the name of each candidate in the primary election and the number of votes received by each, and shall specify the two official candidates for the district. A certified copy of the minutes, signed by the secretary and the chairman of the primary election meeting, shall be delivered to the secretary of the Cooperative within five (5) days after such meeting.

***Section 5. Election of Directors.***

Not less than ten (10) days before an annual or special meeting of the members at which directors are to be elected, the Secretary of the Cooperative, or the Cooperative under the direction of the Secretary, shall mail to each member of the Cooperative a list of candidates, the names to be arranged by districts and in alphabetical order. This list may be included with the notice of the meeting. At the meeting the Secretary of the Cooperative shall place in nomination the names of the official candidates of each district. No nominations shall be accepted from the annual meeting floor for any director. Election of directors shall be by printed ballot. The ballots shall list the candidates, the names to be arranged by districts and in alphabetical order. Each member of the Cooperative present at the meeting shall be entitled to vote for one candidate from each district. Ballots will be counted by a ballot counting committee. Each candidate may designate one member to serve on the Ballot Counting Committee; additional members of the committee will be designated by the

Board of Directors. The candidate from each district receiving the highest number of votes at this meeting shall be considered elected as director.

The members may at any meeting at which a director or directors shall be removed, as hereinbefore provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

**Section 6. Removal of Directors.**

(a) Removal of Directors by members.

Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten (10%) percent of the total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act on such charges and, if one or more directors are recalled, to elect their successor(s) and specifies the place, time and date thereof not less than forty (40) days after filing of such petition, or which requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signator's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon: PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor: PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Directorate District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

(b) Removal of Directors by the Board of Directors.

- (i) Any member of the Board of Directors who is absent from the regular meeting of the Board of Directors, except for good cause shown, a total of three (3) times between January 1 and December 31 in any year shall be immediately removed as a Director by the majority vote of a quorum of the Board of Directors and that vacancy shall be filled by the Board of Directors as provided by the Bylaws and Policy Provisions of Nueces Electric Cooperative, Inc.
- (ii) Any member of the Board of Directors whose conduct is determined to be inconsistent with the best interests of Nueces Electric Cooperative, Inc. shall be subject to removal by a majority vote of a quorum of the Board of Directors. Conduct which shall subject a board member to removal may include, but is not limited to, the following:
  - (1) breach of a Director's duty of loyalty to the Corporation or its shareholders or members;
  - (2) an act or omission by a Director, not in good faith, that constitutes a breach of duty 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;
- (4) an act or omission by a Director for which a Director is otherwise liable to the Corporation or its members, expressly provided for by applicable statute; and
- (5) the inability or unfitness of a Director to perform the duties of the office or any other good cause.

***Section 7. Vacancies.***

Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Board members by the members of the Cooperative, or the Board of Directors, a vacancy occurring in 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.

***Section 8. Compensation; Expenses.***

- (a) Directors shall not receive a salary for their services as such. However, subject to subsection (b) below and as determined by policy adopted by the Board, directors may receive a fee, which may include insurance benefits, for each day during which they attend meetings or otherwise perform duties on behalf of the Cooperative. Fees for otherwise performing their duties need not be the same as for attending meetings of the Board.
- (b) For attending meetings and otherwise performing duties pursuant to authorization thereof by the Board, directors shall be advanced or reimbursed their related expenses actually and reasonably incurred and expended by them, in accordance with the same policy established by the board for advancement or reimbursement of expenses for Cooperative employees, except that the policy may be different as it relates to uses of personal automobile.
- (c) 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, except that (1) a director who is also an officer of the Cooperative, or a director, officer or committee member of or a delegate to an organization of which the Cooperative is a member or stockholder, and who as such performs substantial additional duties on behalf of the Cooperative, may be paid such compensation therefor, on a per diem basis, as is authorized by the remaining directors, and (2) a director or close relative of a director may be paid such compensation as is authorized by the Board upon its certification of such as a temporary emergency measure.

***Section 9. Directors Limited Liability.***

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

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

This section applies only to an act or omission occurring on or after August 31, 1987

***Section 10. Committees***

- (a) Standing or Temporary Committees may be appointed from its own number by the Board of Directors from time to time, and the Board of Directors may from time to time invest such committees with such powers as it may see fit, subject to such conditions as may be prescribed by such Board. All committees so appointed shall keep regular minutes of the transactions of their meetings and shall cause them to be recorded in books kept for that purpose in the office of the corporation, and shall report the same to the Board of Directors at its next meeting.



- (b) The Executive Committee shall be comprised of the officers of the Board. The Chief Executive Officer shall be an ex-officio member. The Executive Committee shall be a standing committee of the Board. All meetings of the Executive Committee shall be disclosed to the full Board and any action taken by the Executive Committee shall be subject to ratification by the full Board.

## ARTICLE V

### Meetings of Directors

#### ***Section 1. Regular Meeting.***

A regular meeting of the Board of Directors shall be held without notice other than this By-law, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in Robstown, Nueces 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 and it shall be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the Directors calling the meeting shall fix the time and place (which shall be in Nueces County, Texas) for the holding of any special meeting of the Board of Directors.

#### ***Section 3. Notice of Board Meeting.***

Written notice of the time and place of any special meeting of the Board of Directors shall be delivered to each Director either personally or by mail by or at the direction of the Secretary, or upon default in duty by the Secretary, by the President or the Directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Director at his address as it appears on the records of the Cooperative, with the postage thereon prepaid at least five (5) days before the date set for the meeting. 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 transacting of any business because the meeting shall not have been lawfully called or convened.

#### ***Section 4. Quorum.***

A majority of the 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 may adjourn the meeting from time to time, and provided further that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. 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 as otherwise provided in these Bylaws.

## ARTICLE VI

### 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 of Treasurer may be held by the same person.

#### ***Section 2. Election and Term of Office.***

The officers may be elected, by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held immediately after each annual meeting of the members. If the election of officers shall not be held at such meeting such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting

of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of officers.

***Section 3. Removal.***

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Cooperative will be served thereby.

***Section 4. Vacancies.***

Except as otherwise provided in these Bylaws, a vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term. All vacancies shall be filled by promoting, in order, those offices still remaining in office. Any vacancies remaining unfilled by promotion shall be filled by a majority vote of a quorum (or greater) or directors.

***Section 5. President.***

The President:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors;
- (b) shall sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors and may sign any 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; and
- (c) in general shall perform all duties incident to the office as prescribed by the Board of Directors from time to time.

***Section 6. Vice-President.***

In the absence of the President, or in the event of his inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time be assigned to him by the Board of Directors.

***Section 7. Secretary-Treasurer.***

The secretary-treasurer shall be responsible for:

- (a) keeping the minutes of meetings of the members and the Board of Directors in one or more 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 provision of these Bylaws.
- (d) custody of all funds and securities of the Cooperative;
- (e) the receipt of and the issuance of receipts of all moneys due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (f) in general performance of all duties incident to the office of Secretary-Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

***Section 8: Assistant Secretary-Treasurer***

The Assistant Secretary-Treasurer shall be responsible to perform the duties of the Secretary-Treasurer in the absence of the Secretary-Treasurer or the refusal of the Secretary-Treasurer to perform the duties of the office.

***Section 9. Chief Executive Officer.***

The Board of Directors may appoint an Chief Executive Officer who may be, but who shall not be required to be a member of the Cooperative. The Chief Executive Officer shall perform such duties as the Board of

Directors may from time to time require of him and shall have such authority as the Board of Directors may from time to time vest in him.

***Section 10. Bonds of Office.***

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

***Section 11. Reports.***

The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

**ARTICLE VII**

**Fiscal Management**

***Section 1. Contracts.***

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

***Section 2. Checks, Drafts, etc.***

All checks, drafts or other orders for the payment of money, and all notes, bonds or other 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.

***Section 3. Deposits.***

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

***Section 4. Rules and Regulations.***

The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with law, or the Articles of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

***Section 5. Accounting System and Reports.***

The Board of Directors shall cause to be established and maintained a complete accounting system which among other things subject to applicable laws and rules and regulations of any regulatory body, shall conform to GAAP (Generally Accepted Accounting Principles). All accounts of the Cooperative are subject to an examination by the Board Audit Committee which shall render reports to the Board of Directors four times a year. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the following annual meeting.

***Section 6. Change in Rates.***

Written notice shall be given to all regulatory agencies exercising legal jurisdiction over the cooperative within the time frames specified by the agencies. Such notice shall also be rendered to all financial institutions doing business with the cooperative, if so required.

## ARTICLE VIII

### Non-Profit Operation

#### ***Section 1. Interest of Dividends on Capital Prohibited..***

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

#### ***Section 2. Patronage Capital in Connection With Furnishing Electric Energy.***

- (a) 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 the electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and record of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and 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 his 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 in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.
- (b) All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be
  - (i) used to offset any losses incurred during the current or any prior fiscal year and
  - (ii) to the extent not needed for that purpose, allocated to its patrons on a cost of service basis and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided. However, prior to making such allocation to its patrons, the Board of Directors may take into consideration the cost of providing service to such patron(s) in the manner as may be determined or approved from time to time by the board of directors.
- (c) 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. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirements of the capital credits declared may be retired first-in, first-out; last-in, first-out; or any combination thereof, or any other method, at the Board's discretion. However, notwithstanding the preceding, in the event of the termination of a natural person's status as a member or patron, the Board of Directors, at its discretion, shall have the power at any time to retire, prior to the time such capital would otherwise be retired under the provisions of these bylaws, the amount of the capital credited to the account of any such person by discounting such amount to present value and thereafter retiring the resulting amount pursuant to policies adopted by the Board of Directors from time to time. However, any such retirement shall in no event impair the financial condition of the Cooperative. In no event, shall a check for \$5.00 or less be produced by the Cooperative for the retirement of capital credits.

- (d) 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 of Directors, acting under policies of general application, shall determine otherwise.
- (e) All persons to whom capital credits have been allocated shall keep the Cooperative informed of their current mailing addresses in order that the Cooperative may retire or refund capital credits, membership fees, deposits and any other amounts to such persons in accordance with the bylaws. If, prior to retirement of capital as provided by these bylaws, a person ceases to be a member or patron of the Cooperative and such person's existence and whereabouts are unknown to the Cooperative for a period of five (5) years, capital credited to such person's account shall be deemed a contribution to capital and such persons shall have no further claim to such capital. If a check representing any retirement or refund of any such capital credits, membership fees, deposits and other such amounts shall be mailed to any such person to his last known address shown in the records of the Cooperative and shall be returned unclaimed to the Cooperative, or any such check shall remain uncashed and no claim therefor shall be made by such person for a period of five (5) years after the issuance thereof, it is agreed that such person shall thereafter have no right, title and interest to any such capital credits, membership fees, deposits or other amounts credited to him on the books of the Cooperative and all right, title and interest thereon and thereto shall be deemed to be assigned to and shall become the property of the Cooperative.
- (f) All early retirements of capital credits shall be performed after net present value calculations have been administered. All retained patronage capital shall be recorded in a "retained capital credit account" on the books of the cooperative. Such retained capital shall remain on the books of the cooperative until such time as the cooperative is disbanded.
- (g) In the event of the death of a member or patron, such person 's personal representative shall request in writing the retirement of the amount credited to such person 's account.
- (h) The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the Texas legal rate on judgment in effect when such amount become overdue, compounded annually.
- (i) The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article 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.

## **ARTICLE IX**

### Waiver of Notice

Any member or Director may waive, in writing, any notice of meetings required to be given by these bylaws.

## **ARTICLE X**

### 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) 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 entire membership of each class of members voting 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, or any agency or instrumentality approved by the administrator of the Rural Utilities Service or a national financing institution organized on a cooperative plan for the purpose of financing its members' programs, projects, and undertakings in which the cooperative holds membership. 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 encumbrances of any or all of the property, assets, rights, privileges, licenses, franchise 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 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**

##### Affiliated Board Membership

The Cooperative shall not become a member of any other organization without an affirmative vote of the Directors at a regular or called meeting.

Directors of Nueces Electric Cooperative, Inc. may be elected by the Board of Directors to serve as members, delegates, or alternates, of the Board of Directors of South Texas Electric Cooperative, Inc., San Miguel Electric Cooperative, Inc., and/or any other Boards, committees, or organizations that Nueces Electric Cooperative, Inc. is affiliated with or is required to furnish a representative to, clothed with such powers, as the Board of Directors shall designate to such members, delegates or alternates, and while acting as such, Nueces Electric Cooperative, Inc. shall provide to such directors liability, accidental death, and group medical insurance coverage at the sole cost of Nueces Electric Cooperative, Inc.

#### **ARTICLE XIII**

##### Seal

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

#### **ARTICLE XIV**

##### Amendments

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

## **ARTICLE XV**

### Indemnification of Officers and Directors

***Section 1. Indemnification for Expenses and Liability.***

Every director and officer of the Cooperative shall be indemnified by the Cooperative against all judgments, penalties, fines, liabilities, amounts paid in settlement and reasonable expenses, including counsel fees actually incurred by or imposed upon him or her in connection with any proceeding to which he or she was, is, or is threatened to be made a party, or in which he or she may become involved, by reason, in whole or in part, of being or having been a director or officer of the Cooperative, whether or not he or she is a director or officer, at the time such expenses are incurred, to the maximum extent consistent with the provisions of Article 2.22A of the Texas Non-Profit Corporation Act; provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interests of the Cooperative. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

***Section 2. Power to Purchase Insurance.***

The Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Cooperative would have the power to indemnify him against such liability under the provision of this Article.

***Section 3. Continuing Offer, Reliance.***

The provisions of this Article are for the benefit of, and may be enforced by, each director and officer of the Cooperative as a contract for valuable consideration and constitute a continuing offer to all present and future directors and officers of the Cooperative. The Cooperative, by the adoption of this Article agrees that each present and future director and officer of the Cooperative has relied upon and will continue to rely upon the provisions of this Article in accepting, serving or continuing to serve as a director or officer.

***Section 4. Effect of Amendment.***

No amendment, modification or repeal of this Article or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Director or officer of the Cooperative to be indemnified by the Cooperative, nor the obligation of the Cooperative to indemnify any such Director or officer, under and in accordance with the provisions of the Article as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendments modification or repeal, regardless of when such claims may arise or be asserted.

## **ARTICLE XVI**

The Corporation shall have the power and authority to participate in the organization and establishment of tax exempt organizations within the meaning of Section 501(c) (3) of the Internal Revenue Code of 1986, as Amended, whose sole purpose shall be to distribute assets to other qualifying Section 501(c) (3) organizations. In this regard, the Corporation shall further have the power and authority to contribute assets to any organization as authorized above provided the sole source of such assets is voluntary contributions from the members of the Cooperative. The Cooperative shall have the authority to adopt policies, procedures, guidelines, and such programs which are desired or necessary to collect such voluntary contributions from its members for distribution to any organization created by the Corporation as authorized above.

## **ARTICLE XVII**

The Corporation shall have the power and authority to set forth policies, procedures, and guidelines to establish, maintain, and service Energy Resource Conservation Loan Programs, for the purpose of assisting its members in financing certain energy conservation improvements allowed by applicable rules and regulations promulgated by the United States Department of Agriculture or other federal or state agency.

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Amended 1/27/75	Amended 04/17/00
Amended 2/22/82	Amended 09/25/00
Amended 6/18/84	Amended 10/30/00
Amended 9/21/87	Amended 12/18/00
Amended 11/21/88	Amended 07/23/01
Amended 2/19/90	Amended 04/22/02
Amended 4/15/91	Amended 03/24/03
Amended 1/1/92	Amended 08/25/03
Amended 9/21/92	Amended 10/27/03
Amended 7/18/94	Amended 11/24/03
Amended 09/18/95	Amended 05/23/05
Amended 08/19/96	Amended 02/26/10
Amended 10/27/97	Amended 03/22/11
Amended 06/22/98	Amended 06/15/11
Amended 12/21/98	



