

BYLAWS
NUECES ELECTRIC COOPERATIVE, INC.
14353 Cooperative Ave., Robstown, Texas 78380

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) applied 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 or agreed to pay the membership fee hereinafter specified, no later than with their first bill for Cooperative Services above; 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 therefore upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

Section 3. Joint Membership.

A married couple 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 married couple 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 the one seeking to serve on the Board meets the qualifications for such office.

Section 4. Conversion of Membership

- (a) A joint membership may be converted to a single 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 the application for membership and electric service, and shall pay therefore at rates which shall from time to time be fixed by the Board of Directors. It is expressly understood that amounts paid for 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 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 them 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 them 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 their 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 them 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

Contractors providing business services to the Cooperative may receive membership information in order to perform their work for the Cooperative, following their execution of the Cooperative's confidentiality agreement. Full or partial listings of the membership of the cooperative shall not be made available 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.

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 may be called by a minimum of 10% of the members. Those members calling for a Special Meeting shall submit properly completed petitions in the forms as provided by the Cooperative. The Cooperative shall also provide filing and verification instructions to those members. No petition will be considered if it is dated 90 days prior to the date submitted.

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 the 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 percent (15%) of the total number present in person, or represented by registration, or by mail in ballot, or by online ballot, shall constitute a quorum for the transaction of business at all meetings of the members provided at least five percent (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 registration, or by mail in ballot, or by online ballot, 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 such adjourned 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 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 mail, or online except as otherwise provided by law or the Articles of Incorporation, or these Bylaws. If a married couple holds a joint membership, they shall be jointly entitled to one (1) vote and no more upon each matter submitted for a vote to the members. The Board of Directors may, pursuant to The Electric Cooperative Corporation Act, Section 161.070, authorize members to vote by mail, or online on any matter that may be voted on by the members.

Section 6. Uncontested Election

In accordance with Robert's Rules of Order, Section 46, (11th edition), as amended, in the event only one person is nominated for a position, then the meeting chair may declare that the nominee is elected by unanimous consent or acclamation.

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 unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
3. Presentation and consideration of reports of officers, directors and committees.
4. Election of Directors.
5. Unfinished Business
6. New Business
7. Adjournment.

ARTICLE IV

Directors

Section 1. General Powers.

The business affairs of the Cooperative shall be managed by a board of eight (8) 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 original nine districts. 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. Bonafide resident is defined as follows: (1) nominee holds primary residence in the district nominated for a minimum of six (6) months prior to the date of the petition deadline, (2) nominee is a resident of the State of Texas for twelve (12) months prior to the date of the petition deadline, and (3) primary residence address within the district nominated can be verified by county homestead records, the nominee's valid Texas driver's license, and/or the nominee's voter registration.

No member shall be eligible to serve on the Board Of Directors who is (1) employed by or engaged in any business that competes with the business of the Cooperative; or (2) employed by or engaged in any business that sells a material amount of supplies to the Cooperative. No member shall be eligible to serve on the Board of Directors who is a current employee of the Cooperative or a former member of the Cooperative whose termination of employment with the Cooperative occurred less than five (5) years prior to seeking nomination. No member shall be eligible to serve on the Board of Directors who is a close relative of an employee ("close relative" being a spouse, child, including adoptive and step-child, parent, including step-parent, and or adoptive parent, sibling, including step-sibling, and/or adoptive sibling, or an in-law of said child, parent or sibling), or have had such a close relative employed at the Cooperative within five (5) years of the date of the individual's [prospective election to the Board. No member shall be eligible to serve on the Board of Directors who is a director or employee of another Distribution Electric Cooperative, and must not have been an employee or director of the Distribution Electric Cooperative for a minimum of five (5) years after their tenure at such cooperative has ended. 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. No Member shall be eligible to serve on the Board of Directors unless that Member is qualified to enter into a legally enforceable contract. Directors shall also comply with all corporate policies and/or director requirements regarding conduct of the Board members and continued eligibility to serve on the Board of Directors, as adopted by a majority vote of the Board of Directors from time to time. 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 married couple, either one, but not both, may be elected a director, provided, however, that such person shall be eligible to become or remain a director. 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 eight (8) 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 seven (7) districts, each of which will contain as nearly as possible the same geographic size regardless of the number of members in each district. The eighth district shall be comprised of all members served by the Cooperative's Competitive Retailer outside of the Cooperative's PUCT certificated service territory.

The eight (8) directors shall determine what territory shall be included in each of the seven (7) 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 eighth district, allowances will be made such that the size of district eight (8) may be larger than any of the other seven districts.

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

Section 4. Nomination of Candidates for Directors.

Candidates for directors for the eight (8) 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 a senior staff person of the Cooperative. The members shall proceed to elect a chair (by majority vote), who shall be someone other than a candidate. The chair 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 chair. 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 chair 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 maybe counted by a ballot counting committee, or a third party election manager as determined by the Board of Directors. If ballots are counted by a 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. The petition shall include the stated purpose for the removal of the Director(s), the charges against the Director(s), and if one or more Directors are removed to select their successors. The petition shall also specify the place, time and date to consider the charges which shall not be less than forty (40) days after the filing of the petition. The petition can request that the matter be acted upon at the subsequent annual meeting of the members if that meeting will be held no sooner than 40 days after the filing of the petition. Each page of the petition shall, , state the name(s) and address(es) of the member(s) filing such charge(s), a 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 is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of the charges against each Director by the members and the purpose of the meeting shall be contained in the notice of the meeting or sent separately 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 the director 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/she 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. The 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;
- (5) The failure of any Director to comply with any corporate policy or director requirements regarding conduct of board members and continued eligibility to serve on the Board of Directors as adopted by the Board of Directors from time to time; and
- (6) 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 reimbursed their related expenses actually and reasonably incurred and expended by them, in accordance with the policy established by the board for reimbursement of expenses for Cooperative directors.
- (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 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 purchase or payment of capital credits.

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 President of the Board 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. 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 Cooperative, 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 on the fourth Tuesday of each month in 14353 Cooperative Ave., Robstown, Nueces County, Texas. The Board of Directors may revise the place and date of the regular Board meeting by resolution. Meeting time shall be set by the President. Such regular monthly meeting may be held without notice other than a resolution fixing the date 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, electronically, personally or by mail. Upon default in duty by the Secretary to give notice of the meeting, the President or the Directors calling the meeting shall provide the required notice. 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, postage 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 attending a meeting for the express purpose of objecting to the transacting of any business because the meeting was not 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. If less than a majority of the directors are present at a meeting, a majority of the directors in attendance may adjourn the meeting. The Secretary shall notify any absent directors of the time and place of the 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 and Secretary-Treasurer.

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 after each annual meeting of the members. If the election of officers is not held at such meeting the election shall be held as soon thereafter as may be conveniently possible. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor has been duly elected, 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 is in the best interest of the Cooperative.

Section 4. Vacancies.

Except as otherwise provided in these Bylaws, a vacancy in any office shall be filled by the Board of Directors, and the new director shall serve 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) of 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-Treasurer, 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) the performance of all duties incident to the office of Secretary-Treasurer and such other duties as from time to time may be assigned by the Board of Directors.

Section 8.

Intentionally left blank.

Section 9. Chief Executive Officer.

The Board of Directors may appoint a Chief Executive Officer who shall be required to be a member of the Cooperative. The Chief Executive Officer shall be responsible for the daily operation of the Cooperative, and perform such duties as the Board of Directors may assign.

Section 10.

Intentionally left blank.

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 agent so enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative.

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 Finance 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 made available to the members.

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

Section 2. Member Capital in Connection With Use of Cooperative Services.

- (a) In the furnishing of electric energy the Cooperative's operations shall be so conducted that all members will through their use of Cooperative Services furnish capital for the Cooperative. In order to induce the use of Cooperative Services and to assure that the Cooperative will operate on a non-

profit basis, the Cooperative is obligated to account on a membership basis to all its members 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 members as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to its account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member 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 members 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 members, as herein provided. However, prior to making such allocation to its members, the Board of Directors may take into consideration the cost of providing service to the member(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 is 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 members' 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, as determined by the Board. However, notwithstanding the preceding, in the event of the termination of a natural person's status as a member, the Board of Directors, at its discretion, shall have the power at any time to retire, prior to the time the capital would otherwise be retired under the provisions of these Bylaws, the amount of the capital credited to the account of that person by discounting the amount to present value and thereafter retiring the resulting amount pursuant to policies adopted by the Board of Directors. However, any such retirement shall in no event impair the financial condition of the Cooperative. In no event, shall a check for less than \$15.00 be produced by the Cooperative for the retirement of capital credits, except to close out and pay off inactive accounts
- (d) 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. All unclaimed capital credits shall escheat to the State of last known address of the member
- (e) All early retirements of capital credits shall be performed after net present value calculations as determined by the Board of Directors have been administered. All retained member 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 dissolved or liquidated.
- (f) In the event of the death of a member, such person's personal representative may request in writing the retirement of the amount credited to such person's account.
- (g) The Cooperative, before retiring any capital credited to any member's account, shall deduct therefrom any amount owing by the member to the Cooperative, together with associated collection, and legal fees.

- (h) The members 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 member, and both the Cooperative and the member are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each member of the Cooperative 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 Chapter 8 of the Texas Business Organizations Code; 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 her/him and incurred by her/him in any such capacity, or arising out of her/his status as such, whether or not the Cooperative would have the power to indemnify her/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, or present Director or officer of the Cooperative to be indemnified by the Cooperative, nor will it impair the obligation of the Cooperative to indemnify any Director or officer, under and in accordance with the provisions of this 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 the amendments modification or repeal, regardless of when the claims may arise or be asserted.

ARTICLE XVI

The Cooperative 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 Cooperative 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 Cooperative as authorized above.

ARTICLE XVII

The Cooperative shall have the power and authority to set forth policies, procedures, and guidelines to establish, maintain, and service 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.

Amended 1/27/75	Amended 10/30/00
Amended 2/22/82	Amended 12/18/00
Amended 6/18/84	Amended 07/23/01
Amended 9/21/87	Amended 04/22/02
Amended 11/21/88	Amended 03/24/03
Amended 2/19/90	Amended 08/25/03
Amended 4/15/91	Amended 10/27/03
Amended 1/1/92	Amended 11/24/03
Amended 9/21/92	Amended 05/23/05
Amended 7/18/94	Amended 02/26/10
Amended 09/18/95	Amended 03/22/11
Amended 08/19/96	Amended 06/15/11
Amended 10/27/97	Amended 10/23/12
Amended 06/22/98	Amended 10/27/15
Amended 12/21/98	Amended 05/23/17
Amended 04/17/00	Amended 11/26/19
Amended 09/25/00	Amended 02/25/20
	Amended 02/26/21

Revision History

5/23/17: Amended Article I, Section 8. Removed requirement that membership lists must be returned to co-op.

11/26/19: Amended Article IV, Section 2 to include the definition of “bonafide resident” and amended Article IV, Section 8 to eliminate director advances

02/25/2020: Amended Article IV, Section 1, 3 and 4 to adjust the number of directors from ten (10) to eight (8). Amended Article VI, Sections 1 and 8 to eliminate the position of Assistant Secretary - Treasurer.

02/26/2021: Amended Article III. Section 4, 5 and 6 to include online voting and the election of directors by consent or acclamation.