

APPROVED

January 18, 2017

RIO GRANDE ECI  
BOARD OF DIRECTORS

**By-Laws of  
Rio Grande Electric Cooperative, Inc.**

**Article I  
Membership**

**Section 1. Requirements for Membership.** Any person, firm, association, corporation, partnership, entity recognized or doing business under the laws of the state of Texas, federal agency, state or political subdivision will become a Member of Rio Grande Electric Cooperative, Inc., (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative provided that such person or entity has first:

- (a) Completed a written application for membership;
- (b) Agreed to purchase from the Cooperative bundled electric energy service (including both central station electric power and energy and transmission and distribution services) or, as applicable, unbundled electric service (including only transmission and distribution service, with energy being supplied from sources other than the Cooperative, or including only energy), as specified in these Bylaws and/or provided for by written agreement.
- (c) Agreed to comply with and be bound by the Articles of Incorporation, these Bylaws of the Cooperative, such rules and regulations as may from time to time be adopted by the Board of Directors, as any of the foregoing may be amended from time to time; and,
- (d) Paid the membership fee specified in these Bylaws

No Member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable.

**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 the Board may prescribe. Once issued, membership certificates shall be retained by the Cooperative, for safekeeping. No membership certificate shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued upon such uniform terms and indemnity to the Cooperative as the Board may prescribe. The certificate of membership shall be surrendered to the Cooperative upon the resignation, expulsion or death of the Member.

**Section 3. Joint Membership.** Spouses, or any two persons whether or not married, may apply for 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 any such persons 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. In addition, the following provisions apply to joint memberships:

- (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 concurrently may be elected or appointed as an officer or Director, provided that both meet the qualifications for such office.
- (h) Divorce of spouses shall terminate joint membership; provided, however, that neither former spouse shall be released from any debts due the Cooperative.
- (i) A joint membership shall also be terminated if either joint member provides written notice to the Cooperative asking that the joint membership be terminated; provided, however, that neither former joint member shall be released from any debts due the Cooperative.
- (j) In the event that a joint membership is terminated by divorce or written notice to the Cooperative, capital credits earned during the joint membership shall be divided evenly between the joint members, unless (i) the joint members both instruct the Cooperative otherwise, in a writing signed by both joint members; or (ii) a court of competent jurisdiction instructs the Cooperative otherwise.

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

- (a) A membership may be converted to a joint membership upon written request of the holder together with written application by the spouse or other prospective joint member for membership, and the agreement by such holder and his or her spouse or the other prospective joint member to comply with the Articles of Incorporation and these Bylaws, and rules and regulations adopted by the Board of Directors, as any of the foregoing may be amended from time to time. Re-submittal of the Cooperative's form of Application for Membership executed by both parties as joint members shall constitute compliance with this section. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in a manner that shall indicate the changed membership status.
- (b) Upon the death of either party to the joint membership, the membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in a manner that 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 five (\$5.00) dollars, or such other reasonable amount as may be set by the Board of Directors, upon the payment of which a Member or joint Members shall be eligible for one service connection, subject to any required security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction.

#### **Section 6. Purchase of Bundled Electric Energy Service or Unbundled Distribution**

**Service.** Each Member shall, as soon as bundled electric energy service, or as applicable, unbundled distribution service, shall become available, purchase from the Cooperative all bundled electric energy service used on the premises specified in the Member's application for membership, or alternatively, for Members having contractual arrangements with the Cooperative for provision of unbundled distribution service only, all distribution service for the energy utilized on the premises specified in the Member's application for membership, and shall pay at any of the Cooperative's area offices for such service at rates and in the manner which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one Member. In addition to the Application for Membership and Electric Service Agreement required to be executed by each Member, a Member shall also, if required by the Cooperative, enter into a supplemental contract relating to a specific class of service. Production or use of electric energy on such premises, regardless of the energy source, by means of facilities which are interconnected with the Cooperative's facilities, shall be subject to appropriate regulation as shall be fixed from time to time by the Cooperative. It is expressly understood that amounts paid for bundled electric energy service or for unbundled distribution service, in excess of the cost of service, are furnished by Members as capital and each Member shall be credited with the capital so furnished based on patronage calculations as provided by these Bylaws. Each Member shall pay to the Cooperative for unbundled distribution service the amount contractually agreed, or for bundled electric energy service, such minimum amount per month regardless of the amount of electric energy consumed as shall be fixed by the Board of Directors from time to time. Each Member shall also pay all amounts owed by the Member to the Cooperative as and when such amounts become due and payable.

When the Member has more than one (1) service connection from the Cooperative, any payment by the Member for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to the Member's outstanding account for all such service connections of the same class or included in the same bill, whether or not the Cooperative's actual accounting procedures reflect such allocations and prorations.

## **Section 7. Termination and Suspension 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 the affirmative vote of not less than two-thirds (2/3rds) of all the 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, 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 continued for at least ten days after such notice was given. Any expelled Member may be reinstated by vote of the Board. The membership of a Member who for a period of six (6) months after service is available to him, has not purchased bundled electric energy service, or as applicable, unbundled electric service, from the Cooperative, or of a Member who has ceased to purchase bundled electric energy service, or as applicable unbundled electric service, from the Cooperative, may be canceled by resolution of the Board of Directors.
- (b) Upon withdrawal, death, cessation of existence or expulsion of a Member, the membership of that Member shall terminate, and the membership certificate of that 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. Any non-member survivor or successor user of the Cooperative's services at the

location formerly served for the terminated Member shall be required to apply for membership pursuant to these Bylaws as a prerequisite to continued service.

- (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.
- (d) Upon discovery that the Cooperative has been furnishing electric service to any person other than a Member, with the exception of those entities authorized by statute to be served as nonmembers, the Cooperative may cease furnishing such service unless that person applies for membership retroactively to the date on which the person first began receiving such service and fulfills all membership requirements of these Bylaws, in which event the Cooperative, to the extent practical, shall correct its membership and all related records accordingly.
- (e) A Member's membership shall automatically be suspended if he fails to pay for electric service or otherwise fails to comply with membership obligations as set out in the Cooperative's tariff for which disconnection is permitted, and the Member has been previously notified, as provided in the tariff, that he is not in compliance. The suspension of membership shall be effective at the time the Member's service is disconnected, consistent with the terms of the tariff. During any such suspension of membership, the Member will not be entitled to receive electric service from the Cooperative or to cast a vote in connection with any meeting of the Members. The suspended membership shall be automatically reinstated after the Member has paid all amounts due the Cooperative, including any additional charges related to reinstatement, or after the Member has otherwise fully complied with the membership requirements which were the basis for the suspension.

**Section 8. Membership Lists.** The Cooperative shall maintain a record of current Members in a form permitting the Cooperative to alphabetically list the names and addresses of all Members. The General Manager/CEO may grant a request by a Member to inspect or, upon payment of a reasonable charge determined by the Cooperative, may provide to the Member a copy of the Membership List, provided:

- 1. The Member's request is made in writing upon at least five (5) days' notice;
- 2. The Member's request is made in good faith and for a reasonable purpose related to the Member's interest as a Member, as determined by the General Manager/CEO. The following purpose shall not be deemed to be reasonable:
  - (a) Use of the Membership List to solicit money or property unless the money or property is used solely to solicit Member votes in connection with a Cooperative election;
  - (b) Use of the Membership List for a commercial purpose; or
  - (c) Sale or purchase of the Membership List by any person or entity.
- 3. The Member's request describes with reasonable particularity the Member's purpose for inspecting or copying the Membership List, and that purpose is reasonably related to the Membership List.

If the General Manager/CEO determines that the request will be denied as not meeting the standards set out above, the Member may ask that his request be presented by the General Manager/CEO to the Board for consideration at the next scheduled Meeting of the Board of Directors upon presentation by the General Manager/CEO, the request may be granted or denied as the Board deems appropriate.

## **Article II**

### **Rights and Liabilities of Members**

**Section 1. Property Interest of Members.** The Cooperative may dissolve upon vote of the Members as provided for in these Bylaws. In the event of 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 by these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the current Members in proportion to the amount of patronage conducted with the Cooperative during the twelve months immediately preceding the filing of the Certificate of Dissolution.

**Section 2. Non-Liability for Debts of the Cooperative.** The private property of the Members shall be exempt from execution or other liability for the debts of the Cooperative and no Member shall be liable or responsible for any debts or liabilities of the Cooperative; provided, however, that a Member shall be liable for debts lawfully contracted between him and the Cooperative.

**Section 3. Nonbinding Initiative and Referendum.** Any fifty (50) or more Members acting together may by petition require the Board of Directors to consider and vote upon any one or more issues affecting the membership or the operation of the Cooperative, or may by petition require the Board of Directors to submit to a nonbinding vote of the Members any one or more questions affecting the membership or the operation of the Cooperative. Any such petition must state clearly on its face the issues or questions for which action is being sought and whether the Directors are being asked to consider such issues or questions directly or to place them on the ballot for vote by the membership, and must be signed by each Member in the same name as he is billed by the Cooperative and shall state the signatory's address as it appears on such billings. The petition must be filed with the Secretary at the Cooperative's main office in Brackettville, Texas. Within 30 days after the filing, the Cooperative may take appropriate steps to verify the signatures. Following verification of signatures, the Secretary shall, as appropriate, place the issue(s) on the agenda for consideration and voting by the Directors at the next regular Board of Directors meeting, or place the matter on the ballot for voting by the Members by mail (i) in conjunction with the election held prior to the next succeeding annual Member Meeting, or (ii) in conjunction with and prior to a special meeting of the Members, if the prerequisite for calling such a meeting as provided for by Article III, section 2 has been satisfied. Any such vote by the Members shall be conducted in accordance with the procedures set out in Article III. The Board of Directors shall not be bound to act in accordance with the views expressed in any such petition nor with the results of any such vote of the Members, except to the extent provided by statute.

## **Article III**

### **Meeting of Members**

**Section 1. Annual Meeting.** The Annual Meeting of the Members shall be held on the second Saturday in October of each year, at such place within a county served by the Cooperative, as selected by the Board of Directors from time to time and which shall be designated in the notice of the Meeting, for the purpose of announcing the results of elections of Directors and the results of voting on any pending issues, passing upon reports for the previous fiscal year and transacting such other business as may come before the Meeting. If the Board of Directors determines that good cause exists, the Annual Meeting date may be moved forward or back by up to 30 days. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the Annual Meeting. If the day fixed for the Annual Meeting shall fall on a legal holiday, the Meeting shall be held on the next succeeding Saturday. If a catastrophic event arises that prevents the Annual Meeting from taking place at the time or location established by the Board of Directors, the General Manager/CEO shall change the time and/or location of the Annual Meeting, or if necessary, cancel the Annual Meeting, and shall use his or her best efforts to advise the membership of any changes of time location or cancellation of the Annual Meeting. If cancelled, the Board of Directors shall determine another date and location to hold the Annual Meeting. Failure to hold the Annual Meeting at the designated time or place shall not work a forfeiture or dissolution of the Cooperative.

**Section 2. Special Meetings.** Special Meetings of the Members may be called by resolution of the Board of Directors, or upon a written request signed by any three Directors or by the President, or by a petition signed by ten (10) percent or more of all the Members, or pursuant to the requirements of Article IV, Section 5. If a Special Meeting is thus called, it shall be the duty of the Secretary to cause notice of the meeting to be given as provided for below in section 3. The date of any such meeting initiated by Member petition shall be set so as to allow adequate time for verification of the validity of the Member petition. Special Meetings of the Members may be held at any place within a county served by the Cooperative, as specified in the notice of the Special Meeting.

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

- (a) Written or printed notice stating the place, day and hour of the Meeting, and in case of a Special Meeting or an Annual Meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each Member. If mailed, the notice shall be deemed to be delivered when deposited in the United States Mail with postage prepaid, addressed to the Member at his address as it appears on the records of the Cooperative. The failure of any Member to receive notice of an Annual or Special Meeting of the Members shall not invalidate any action which may be taken by the Members at any such Meeting.
  
- (b) For the purpose of receiving notice, voting, and attending the annual membership meeting, the General Manager/CEO shall certify a list of Members on the date of the August billing for electric service each year, and that membership list shall be the official list of Members qualified to vote, receive notice of and attend the October annual membership meeting for that year, and of the number of Members for purposes of determining a quorum.

**Section 4. Quorum.** A quorum for the transaction of business at all meetings of the Members shall be

constituted by at least five (5) percent of the total number of Members present through voting by mail or electronically. If less than a quorum is represented by mail and electronic ballots cast in connection with any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice, or if no Members are present, the President or other presiding officer may on his own motion so adjourn, provided that the Secretary shall notify any absent members of the time and place of such adjourned Meeting. Regardless of whether or not Members are present who, if voting by mail or electronically, would constitute a quorum of members at any Annual or Special Meeting, no action binding on the Board of Directors may be taken by motion or vote of Members present, except action by voice vote approving the minutes of the previous meeting of Members and action adjourning the meeting; all other issues are to be determined through voting by mail as provided for in these Bylaws, and only nonbinding votes may be taken by vote of Members present other than by voting by mail.

### **Section 5. Voting.**

- (a) Each Member, who is not in a status of suspension as provided for in Article I, Section 7(e), shall be entitled to only one (1) vote upon each matter submitted to a vote of the Members. In connection with all voting of the Members for which a quorum is represented, all questions shall be decided by a vote of a plurality of the Members voting thereon, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws. If spouses or two other persons hold a joint membership, they shall be entitled to one (1) vote only upon each matter submitted to a vote of the Members. Members may not cumulate their votes nor vote by proxy. Members other than natural persons (e.g., corporations, partnerships, or other legal entities) shall be entitled to vote only if the Member has qualified a natural person to act as its representative by presenting satisfactory evidence to the Cooperative identifying the representative and verifying his authority to vote on behalf of the Member entity. The evidence must be submitted by mail prior to any vote or may be submitted with a mailed ballot. The ballots for election of Directors shall include space for write-in votes. Any Director elected as a write-in candidate must receive at least 15 votes, must meet all of the qualifications for Director set out in Article IV, Section 3 of these By-laws, and must submit an executed Affidavit of Eligibility and other required documentation, as provided for in Article IV, Section 4(b) of these Bylaws, to the Secretary no later than the time of the next regular Board meeting following the election.
- (b) Voting on election of Directors and voting on any issues required by law or the Articles of Incorporation or these Bylaws to be submitted to a vote of the Members shall be by mail only and may also include, at the option of the Board, an electronic method of returning a ballot or vote. The method of casting votes by mail and electronically, the formats of any ballots for election of Directors or any other issue to be voted upon by the Members, and the procedures for mailing ballots and returning them by mail or electronically, shall be determined by resolution of the Board of Directors from time to time. All results of any such election or voting upon any other issue shall be certified and announced at the Annual Meeting of Members or any Special Meeting of Members and shall be effective at that meeting, or at any adjournment of that meeting.
- (c) The Board of Directors shall hire an unbiased, independent auditing firm or other firm experienced in conducting elections or assign to any presently retained firm, the conduct of the election of Directors and voting on any other issues submitted to the Members, including issues submitted in connection with the annual membership meeting. Said firm shall have the duty of counting and tallying ballots in connection

with any election of Directors or for any voting held on an issue submitted to the members and of certifying the results and outcome of any election or any such voting. Neither the Cooperative nor any Cooperative Member, Director, Officer, employee, or agent, is liable to any Member for accepting or rejecting any ballot cast in connection with a Member meeting.

**Section 6. Election Protest.** In the event a protest or objection is filed concerning any election, or concerning a determination that a nominee is ineligible to run for election, the protest or objection must be filed during, or within three (3) business days following the adjournment of, the meeting at which the results of such election are announced. The Board of Directors shall appoint a third party arbitrator who is a former judge or an attorney licensed in the State of Texas who has experience serving as a mediator or arbitrator. Said arbitrator shall convene a hearing with the protestor or objector and any other parties affected by the protest or objection as soon as practicable after the filing of the protest or objection. The arbitrator shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence, and the arbitrator shall, within a reasonable time but not later than thirty (30) days after such hearing or conference, render his or her decision, the result of which may be to affirm the election, to change the outcome of the election, or to set it aside. If the election is affirmed, the arbitrator will also consider whether the protest or objection was brought in good faith. If the arbitrator determines that the protest or objection was not brought in good faith, the costs of the arbitration shall be paid by the protestor or objector. The arbitrator's decision, on all matters covered by this section shall be final.

**Section 7. Order of Business.** The order of business at the Annual Meeting of Members and, so far as possible, at all other meetings of the Members, shall be essentially as follows, except as may be determined otherwise by the Board of Directors:

1. After the meeting is called to order, reading of the notice of the meeting and proof of the due publication or mailing of the notice, or the waiver or waivers of notice of the meeting, as the case may be.
2. Reading of unapproved minutes of previous meetings of the Members and the taking of necessary action as to such minutes.
3. Report on results and outcome of any election for Directors or voting on any issue submitted to the Members.
- 4.. Presentation and consideration of reports of President, Treasurer and CEO and reports from any other Officers, Directors, Committees and/or employees deemed appropriate by the Board of Directors.
5. Unfinished Business.
6. New Business.
7. Adjournment.

#### **Article IV Directors**

**Section 1. General Powers.** The business and affairs of the Cooperative shall be managed by a



Board of thirteen (13) Directors which shall exercise all of the powers of the Cooperative except those that are conferred upon or reserved to the Members by law, the Articles of Incorporation, or by these Bylaws as they may be amended from time to time.

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

- (a) Directors shall be elected by secret written ballot pursuant to election by mail conducted in conjunction with each Annual Meeting of Members, for a term of three (3) years with staggered terms of office so that at the annual elections there would be elected in rotation four, four, and five Directors respectively, by and from the Members, to serve, subject to the provisions of the Bylaws with respect to removal of Directors, until the end of their respective three-year terms or until their successors shall have been elected and shall have qualified. Any Director may succeed himself or herself in office, upon proper nomination and election, for three terms additional to his or her initial term, such that a Director's total tenure may be not more than four (4) consecutive, three (3) year terms. Upon vacation of the office of Director for a period of at least one three (3) year term, the former Director shall be eligible to serve as a Director provided, however, he and she meets the necessary requirements and qualifications.
- (b) If an election of Directors is not announced on the day designated in these Bylaws for the Annual Meeting, or at any adjournment of that meeting, the Board of Directors shall cause the election to be announced by some other means it determines appropriate at the earliest convenient date. Directors shall be elected by a plurality vote of the Members. Any tie vote shall be resolved by the drawing of lots.
- (c) The thirteen Directors to serve this Cooperative shall respectively represent a particular district or service area as designated on the area district map on file in the Cooperative office at Brackettville, Texas. In addition to the general qualifications set forth in this Article, an eligible candidate for Director must have been a member of the Cooperative for at least three years prior to the Cooperative's determination of the candidate's eligibility. The Board of Directors shall determine the number of Districts and, annually not later than February of each year, shall review the makeup of the districts. Following such a review, if the Board of Directors determines that significant inequities exist in the make-up of any of the Districts, the Board shall make whatever corrections it deems appropriate and shall decide which Member Advisory Committee will be responsible for appointing the Members of the nominating committee for each District in which a Director election is expected.

**Section 3. Qualifications.** No person shall be eligible to become or remain a Director unless that person:

- (a) is a Member in good standing of the Cooperative; "Member in good standing" means a Member who is not delinquent in payment of electric bills or other amounts due the Cooperative under the provisions of the Cooperative's tariff or of any written agreement with the Cooperative;
- (b) is a bona fide resident within the Director district for which election is sought; and
- (c) personally receives electric service from the Cooperative in the District from which he or she is elected and has received a quantity of an average of at least 500 kWh per month during the then immediately preceding twelve months, through a meter registered in his or her name.
- (d) is not in any way employed by or financially interested in an enterprise which competes with the

Cooperative, or a business selling electric energy to the Cooperative, or selling services, property or supplies of any kind to the Cooperative, or a business primarily engaged in selling electrical appliances, electrical fixtures or electrical supplies to the Members of the Cooperative;

- (e) is not at any time during his or her time of service as a Director employed by Rio Grande Electric Cooperative or by any other electric cooperative, municipally-owned utility, or investor-owned utility; and has not been employed by Rio Grande Electric Cooperative or by any other electric cooperative, municipally-owned utility, or investor-owned utility within the two (2) years immediately preceding the date of the Annual Meeting of Members corresponding to the election for which the person's candidacy would be considered;
- (f) is a natural person and has the legal capacity to enter into a binding contract in the state of Texas;
- (g) is not convicted of a felony and does not plead guilty to a felony while a Director, and has not been convicted of a felony and has not plead guilty to a felony during the two (2) years immediately prior to becoming a Director; and
- (h) is not a relative within the second degree of affinity or third degree of consanguinity, as defined in Section 8 of this Article, of any existing Director, other than an existing Director who will cease being a Director within one (1) year; and is not a relative within any such degree of an existing employee of the Cooperative.

The following provisions apply with respect to these qualifications:

1. When a membership is held jointly by spouses or two persons, either one, but not both concurrently, may be elected a Director, provided, however, that neither one shall be eligible to become or remain a Director unless both shall meet the qualifications of these Bylaws.
2. "Bona fide residence" for purposes of these qualifications requires that a Member have a residence in the service area district for which election is sought, and be a registered voter in a county located within such Director district. The residence must be permanent in nature, and must be occupied by the subject Member no less than 180 days each calendar year, although it need not be the sole residence of the Member. A residence established as a sham solely for the purpose of satisfying the eligibility requirement does not meet the qualification.
3. Ownership of securities in a publicly held company shall not be deemed to create a conflict under the standard set out above, provided the fair market value of such securities does not exceed \$5000 and the number of shares owned is less than ten (10) percent of the voting shares or stock of the company.
4. Candidates for the office of Director are required to meet these qualifications at the time of commencing candidacy. In the event the Board of Directors reasonably determines that an elected Director's Affidavit of Eligibility or other required documentation was not true and correct at the time submitted and up to the time of the election, the Board shall adopt a resolution vacating the seat of the Director in question and providing for the seat to be refilled by appointment or election pursuant to these Bylaws.
5. With respect to conflicts or failures to comply with these qualifications which arise after a Director takes office, upon a reasonable determination by the Board of Directors that a Director is holding office in violation of any of the foregoing provisions, and unless in the determination of the Board such violation is promptly resolved, the Board of Directors shall adopt a resolution to such effect vacating the seat of the Director in question and providing for the seat to be refilled by

appointment or election pursuant to these Bylaws.

6. Notwithstanding anything contained in this Article IV to the contrary, (i) a Director candidate who is a joint member of the Cooperative shall meet the eligibility requirement of being a member of the Cooperative; and (ii) the membership of a Director candidate's spouse may be considered the membership of such candidate for purposes of the requirement that a Director candidate be a member of the Cooperative for at least three years prior to the Cooperative's determination of the candidate's eligibility.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

#### **Section 4. Nominations for Board of Directors.**

- (a) No later than the March of each year, the Member Advisory Committees for the five service areas shall appoint district nominating committees for each of the Districts for which a Director is to be elected in connection with the next Annual Meeting. No Member of the Board of Directors or Director's spouses may serve on any such nominating committee. Each of the district nominating committees shall consist of three (3) Members in good standing of the Cooperative who shall be residents in the respective district. The appointing Member Advisory Committee shall designate one of the Members of the nominating as chairman of the committees. A majority of the Members of each such nominating committee shall constitute a quorum. Any Member who has expressed an interest in serving as a Director in response to a Member Involvement Survey shall be provided information on the obligation and eligibility requirements of serving on the Board of Directors and shall be invited to meet with the nominating committee handling nominations for the District in issue.

Nominating committee members may receive compensation for their services for attendance at each Meeting or authorized function of the nominating committee, in accordance with the terms of a Board policy and/or resolution passed by the Board of Directors. Each nominating committee member may also receive reimbursement for expenses actually and necessarily incurred while performing committee services.

- (b) Each district nominating committee shall meet independently in an area office of the Cooperative at the time and place designated by the committee chairman. Each district nominating committee shall designate two (2) or more nominees who are residents of the District for each Director to be elected from the district, the nominees being natural persons which the committee believes to be eligible to hold the office of Director under these Bylaws. Incumbent Directors of the Districts for which a Director is to be elected at the next Annual Meeting shall be placed into nomination by the district nominating committee, if the incumbent director is willing and eligible to serve another term. Each of such nominees who consents to run for the office of Director shall be required by the Committee to execute an Affidavit of Eligibility in the form approved by the Board of Directors and After such affidavits and any other documentation have been obtained for all nominees, each district nominating committee shall announce its nominees no later than the 5<sup>th</sup> day of July prior to the date of the Annual Meeting of Members and shall forward the executed Affidavits and other required documentation to the Cooperative's headquarters office in Brackettville,

Texas, to the attention of the General Manager/CEO. Any affidavits and other documentation shall be reviewed by the staff of the Cooperative, which shall advise the nominee, the nominating committee and the Board of Directors if any nominee does not meet the eligibility requirements based on the Affidavit of Eligibility or information otherwise available to the Cooperative's staff. Any Board member who is being considered as a nominee shall recuse himself/herself from the Board's review of any information related to any nominee(s) of said district in which he or she is being considered as a nominee. A list of the nominations for Directors for the respective Districts from which a Director or Directors are to be elected shall be posted at the principal office of the Cooperative in Brackettville, Texas and at all area offices of the Cooperative, not later than immediately following the July Board of Directors meeting prior to the date of the Annual Meeting of Members.

(c) Any fifteen (15) or more Members acting together may make other nominations for Director by petition, all such petitioning Members being natural persons who are bona fide residents of the district for which the nomination is made. Any such nominee must be a natural person, a resident of the district in question, and otherwise eligible to hold the office of Director under these Bylaws, and must execute the Affidavit of Eligibility and provide any other required documentation. No such petition will be valid unless it is filed, together with executed Affidavit(s) of Eligibility and other required documentation, with the General Manager/CEO at the Cooperative's main office at Brackettville, Texas, not later than the 10<sup>th</sup> day of August prior to the date of the Annual Meeting of Members. All nominations by petition shall be reviewed by the Cooperative's staff for eligibility, which shall advise the nominee and Board of Directors if any nominee does not meet the eligibility requirements based on the Affidavit of Eligibility or information otherwise available to the Cooperative's staff. A list of the nominations by petition shall be posted where the list of nominations made by the district nominating committees is posted. All of the timely additional nominations by petition shall be included on the official ballot for election of Directors.

(d) A list of all nominees meeting the eligibility requirements shall be provided to the Board of Directors at the August Board meeting and shall thereafter be included as candidates on the official ballot for election of Directors. The Board of Directors shall be responsible for approving the form of the ballot to be sent to each Member, a statement of the number of Directors to be elected, and the names and addresses of the candidates, specifying separately the nominations made by the district nominating committees and nominations made by petition, if any. Said ballot shall be mailed to each Member by or on behalf of the Cooperative.

(e) Other than with respect to eligibility requirements and Affidavits of Eligibility, notwithstanding anything contained in this section, 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 5. Removal of Directors by Members**

(a) Any Member may bring one or more charges for cause against one or more Directors and may request the removal of such Director(s) based on such charges, by filing with the Secretary such charges in writing together with a petition signed by at least ten (10%) percent of the total membership of the Cooperative, or 300 Members, whichever is the lesser. The petition shall call for a special Member meeting, the stated

purpose of which shall be to hear and act on such charges, and shall specify the place, time and a meeting date not less than forty (40) days after the filing of the petition, or shall request that the matter be acted upon at the subsequent Annual Member Meeting if that meeting will be held no sooner than forty (40) days after the date of filing of the petition. Each page of the petition shall, in the first section, state the name(s) and the address(es) of all of the Member(s) filing such charge(s), and shall include a verbatim statement of the charge(s) and the name(s) of the Director(s) against whom the charge(s) is (are) being made. Charges may be brought only against individual Directors and not against the Board as a whole. All charges and facts supporting such charges shall be described in detail on the face of the petition, and vague and conclusory allegations shall not be acceptable. The petition shall be signed by each Member in the same name as he is billed by the Cooperative and shall state the signatory's address as it appears on such billings. The petition must contain the date of each signature, and must be filed with the Secretary within one hundred twenty (120) days of the earliest signature date shown. The Board shall determine whether or not the petition complies with these provisions.

- (b) If a petition is determined by the Board to be valid under these provisions, notice shall be provided of the meeting as follows; notice of such charge(s) verbatim, the Directors against whom the charge(s) have been made, the names of the Member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or in a separate notice to the Members, not less than ten (10) days prior to the Member meeting at which evidence on the charge(s) will be presented; 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).
- (c) The Director(s) so charged 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 evidence on the charge(s) is to be considered, and shall have an opportunity 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 presentations of such evidence and argument shall be transcribed verbatim in writing at the expense of the Cooperative as expeditiously as possible after the meeting.
- (d) Within not more than forty (40) days after the transcript of the meeting is available, the question of removal of such Director(s) shall, separately for each, if more than one has been charged, be placed upon a ballot for consideration and voting by the Members of the Cooperative. The quorum and voting procedures set out in Article III of these Bylaws shall be applicable and ballots shall be tallied by an unbiased, independent auditing firm, as provided for in that Article. Each mailed ballot shall include as attachments: (i) a summary of the transcription of the meeting, which summary shall be prepared under the direction of and approved by the act of the Board of Directors, and (ii) statements not exceeding one single-spaced type-written page by the Director(s) charged (one statement allowed for each Director charged) and by or on behalf of the petitioning Members raising the charges (one statement allowed on behalf of all petitioners as to each Director charged), such statements to be delivered not later than a deadline set by the Board of Directors for comments on the transcription summary. A copy of the complete transcription of the meeting shall be available for review by the Members at each of the Cooperative's area offices, and Members shall

be so notified in the attachments to the ballot. A Director shall be removed only if ballots representing a quorum of the Members have been cast and a majority of the Members voting on the issue vote for removal. The Members shall promptly be notified by mail or in the next succeeding monthly newsletter as to the results of such balloting.

- (e) Any vacancy created by such removal of a Director may be filled for the unexpired term by appointment of the Directors pursuant to Section 7 of this Article, or at the option of the Directors, by special election of the Members under the nominating and voting procedures set out in these Bylaws.
- (f) Nothing contained in this section shall affect in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors.

**Section 6. Delinquent Attendance by a Director.** In the event any Director shall fail or refuse to attend three consecutive regular meetings of the Board, that Director shall be deemed to have vacated his office and the vacancy shall be filled as directed by Section 7 of this Article. This provision may be waived by vote of the Board.

**Section 7. Vacancies.** Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of Directors by the Members, a vacancy occurring in the Board of Directors may be filled by action of the Board of Directors appointing a replacement Director for the unexpired portion of the term. The Director so appointed by the Board must be a Member residing in the area served by the Cooperative and in the same District from which the former Director was elected and must meet all of the other qualifications for Director specified in Section 3 of this Article.

**Section 8. Compensation.** Directors may receive compensation for their services for attendance at each Meeting or authorized function of the Board of Directors, in accordance with the terms of a Board policy and/or resolution passed by the Board of Directors. Each Director may also receive reimbursement for expenses actually and necessarily incurred by the Director while performing Director services. No Director shall receive compensation for serving the Cooperative in any other capacity, nor shall any relative within the second degree of affinity [i.e., parent, child, brother, sister, grandparent or grandchild of Director's spouse, or a spouse of Director's parent, child, brother, sister, grandparent or grandchild] or third degree of consanguinity [i.e., Director's parent, child, brother, sister, grandparent, grandchild, great-grandparent, great-grandchild, aunt or uncle, or nephew or niece] (both as computed pursuant to the civil law rule) of a Director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the Members or the service by such Director or close relative shall have been certified by the Board of Directors as an emergency measure.

**Section 9. Indemnification.** The Cooperative shall indemnify each person who at any time shall serve, or shall have served, as a Director or officer of the Cooperative, or any person who, while a Director or officer, employee or agent of the Cooperative, is or was serving at its request as a Director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or otherwise, to the fullest extent permitted by Article

1396-2.22A of the Texas Non-Profit Corporation Act or any successor statutory provision, as from time to time amended, such Article or successor provision, as so amended, being incorporated in full in these Bylaws by reference. If in its discretion the Board of Directors so determines, employees or agents of the Cooperative may be indemnified consistent with and to the full extent permitted by that law. The Cooperative may purchase insurance to cover such indemnification.

## **Section 10. Committees.**

- (a) The Board may appoint Committees made up of two or more Directors but less than a quorum of the Board for the purpose of studying or investigating specific issues and making recommendations for action of the Board. The Board's Committees may not exercise Board authority. The Board's standing committees, whose membership shall be appointed at the regularly scheduled Board meeting following the Board's meeting at which officers are elected, shall be: Audit, Finance, Bylaws, Policy, General Manager/CEO Review, Redistricting, and Tariff.
- (b) Member Advisory Committees shall be established for the five service areas of the Cooperative. Each service area shall encompass one or more Directors districts. Each Member Advisory Committee shall consist of at least three (3) and up to twelve (12) Memberships. Each Membership shall be represented by one representative and shall have one vote. No Member of the Board Directors, or any Director's spouse, may serve on any Member Advisory Committee. Three memberships shall constitute a quorum of for any meeting of a Member Advisory Committee. The Board of Directors shall adopt a policy regarding other matters relating to the composition, operation and other matters relating to Member Advisory Committees.

## **Article V**

### **Meetings of Directors**

**Section 1. Regular Meetings.** A regular meeting of the Board of Directors shall be held without notice immediately after, and at the same place as the Annual Meeting of the Members, or at a convenient nearby location as to which the Directors are given verbal notice. This meeting shall be in lieu of the regular meeting which would otherwise be held during the month. A regular meeting of the Board of Directors shall be held the third Wednesday of each month at the Cooperative office in Brackettville during the months of February, April, June, August, and December and on the same day of the month at the Cooperative Office in Fort Stockton during the months of January, March, May, July, September, and November, in both cases at a time as fixed by the Board of Directors. Such regular monthly meetings may be held without notice other than the resolution fixing their time and place; provided, however, that a regular meeting of the Board of Directors may be held at any other place designated within the Cooperative's service area, provided the day, time and place of the meeting is fixed by Resolution duly adopted by the Board of Directors at a regular meeting of the Board held not more than 70 days preceding the date designated for the meeting.

**Section 2. Special Meetings.** Special Meetings of the Board of Directors may be called by the President or by any three Directors, and it shall be the duty of the Secretary to cause notice of any such meeting to be given as provided for below in Section 3. The President or the Directors calling the meeting shall fix the day, time

and place within the Cooperative's Service Area for the meeting and shall direct that all necessary preparations be made for Directors to appear telephonically.

**Section 3. Notice of Director's Meetings.** Written notice of the day, time, place and purpose of any Special Meeting of the Board of Directors shall be delivered to each Director not less than three days prior to the meeting, either personally or by regular or electronic mail, or at the direction of the Secretary, by the President, or the Directors calling the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail with postage prepaid, addressed to the Director at his address as it appears on the records of the Cooperative.

**Section 4. Quorum.** A majority of the Board of Directors, based on the number of Directors fixed by the Cooperative's Articles of Incorporation, shall constitute a quorum. If less than a quorum of the Directors is present at any meeting, a majority of the Directors present may adjourn the meeting from time to time and the Secretary shall notify any absent Director 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 by these Bylaws. For purposes of establishing a quorum and voting at a Special Meeting, a Director who attends the Special Meeting telephonically or electronically shall be counted as present.

**Section 5. Member Attendance.** Subject to space limitations and other rules and regulations as may be adopted from time to time by the Board of Directors by written policy, Members of the Cooperative shall be permitted to address the Directors at regular or special meetings of the Board of Directors, and then shall excuse themselves from such meetings when requested to do so by one or more of the Directors.

## **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 shall be elected annually by secret written ballot, or otherwise as the Board of Directors may determine, by and from the Board of Directors at the meeting of the Board of Directors held immediately after the Annual Meeting of Members. If the election of officers is not held at that meeting, it shall be held as soon thereafter as convenient. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding Annual Meeting of Members or until his successor shall have been elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of Directors and to the removal of officers by the Board of Directors. No Director shall hold the same office for more than three (3) consecutive one-year terms. However, after vacating that office for a period of one year or more, the Director may hold the office for an additional three (3) consecutive one-year terms, if elected to the office by the Board of Directors. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.



**Section 3. Removal of Officers and Agents by Directors.** 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 by such removal.

**Section 4. President.** The President shall:

- (a) be the principal executive Officer of the Cooperative and, unless otherwise determined by the Members or the Board of Directors, shall preside at all meetings of the Members and the Board of Directors;
- (b) sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- (c) in general perform all duties incident to the Office of President and such other duties as may be prescribed by the Board of Directors from time to time.

**Section 5. 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. The Vice-President shall also perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

**Section 6. Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meeting of the Members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to their issuance, and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) keeping a register of the names and post office addresses of all members, which addresses shall be furnished to the Cooperative by the respective Members;
- (e) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative, as amended (which copy shall always be open to the inspection of any Member) and at the expense of the Cooperative, furnishing a copy of the Bylaws and of all amendments to the Bylaws to any Member upon request; and
- (f) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Board of Directors.

The ministerial tasks related to such functions may be delegated to appropriate employees of the Cooperative under the general oversight of the Secretary acting through and communicating via the General Manager/CEO.

**Section 7. Treasurer.** The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors.

**Section 8. General Manager/CEO.** The Board of Directors may appoint a General Manager/CEO who may be, but who shall not be required to be, a Member of the Cooperative. The General Manager/CEO shall perform such duties as the Board of Directors may from time to time require of him or her and shall exercise such authority as the Board may from time to time vest in him or her. The General Manager/CEO is authorized to sign certificates of membership on the Board's behalf. The General Manager/CEO shall have all authority, responsibilities, and entitlements heretofore delegated or granted by the Board by resolution, policy, or otherwise to the officer previously referred to as the "General Manager".

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

**Section 10. Compensation.** The powers, duties, and compensation of officers, agents and employees shall be fixed by the Board of Directors subject to the provisions of these Bylaws with respect to compensation of Directors and close relatives of Directors.

**Section 11. Reports.** The President and the Treasurer shall submit at each Annual Meeting of the Members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

## **Article VII**

### **Non-Profit Operation**

**Section 1. Interest or Dividends on Capital Prohibited.** The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its Members. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its Members.

**Section 2. Patronage Capital in Connection with Furnishing Electric Service (Bundled Electric Energy Service and Unbundled Electric Service).**

- (a) The Cooperative shall furnish electric service to each Member substantially at cost and shall use its revenue from such services (i) to pay all operating and maintenance expenses necessary or desirable for the prudent conduct of its business, (ii) to pay the principal of and interest on the obligations issued or assumed by the Cooperative in performing the purpose for which the Cooperative was organized; and (iii) to create reserves. Any revenues that are not required for the purposes set for the above (“excess revenue”) shall be returned to the Members in proportion to the amount of business done with each Member during the applicable period in a manner determined by the Board. If the Board allocates excess revenues to the Members’ capital accounts, such excess revenues so credited to Members’ capital accounts may be retained by the Cooperative in reasonable amounts for future expansion of facilities, for retirement of capital indebtedness, for acquisition of additional property, and for similar purposes determined by the Board of Directors of the Cooperative to be reasonably related to the operation, maintenance, improvement and expansion of the Cooperative’s services. The Cooperative shall periodically return a proportionate share of each Member’s capital account to the Members if the Board of Directors of the Cooperative determines that the Cooperative’s capital exceeds its reasonable anticipated needs for operating and maintenance expenses, the principal and interest on outstanding obligations, capital improvements and construction, depreciation, and contingencies as referred to above, and that any other prerequisites of the Cooperative’s lenders are met.

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, furnished by each Member may be determined and credited appropriately to the Member’s capital account with patronage calculated as follows:

1. To the extent the Cooperative has excess revenue (hereinafter referred to as net margins) from the furnishing of Electric Service, such net margins for the fiscal year shall be first prorated among the Bundled Electric Energy Service Members and the Unbundled Distribution Energy Service Members based on the gross margins (i.e. revenue less purchased power and other cost of goods sold or constructed) from each type of service.
2. The Cooperative’s net margins that are prorated to the Bundled Electric Energy Services Members will be prorated further among the rate classes for Bundled Electric Energy Services based on the gross margins of each such rate class. The net margins that are prorated among the rate classes will then be credited to the capital accounts of the Members purchasing such Bundled Electric Energy Services. The Bundled Electric Energy Service Member’s share of such net margins prorated to a rate class shall be equal to the proportion that the Member’s kilowatt hours of electric energy purchases from the Cooperative during the fiscal year bears to the total kilowatt hours purchased by all Members receiving bundled electric energy service from the Cooperative during the fiscal year for the respective rate class.
3. The Cooperative’s net margins that are prorated to the Unbundled Distribution Service Members will then be credited to the capital accounts of the Members purchasing such Unbundled Distribution Services. The Unbundled Distribution Services Member’s share of

such net margins shall be equal to the proportion that the Member's gross margins for services received under contract from the Cooperative during the fiscal year bears to the total gross margins of services purchased by all Members receiving unbundled distribution service under contract from the Cooperative during the fiscal year.

The Cooperative shall, within a reasonable time after the close of each fiscal year, notify each Member of the amount of capital, if any, credited to the Member's capital account. All amounts credited to the capital account of any Member shall have the same status as though the credit had been paid to the Member in cash and the Member had then furnished the Cooperative corresponding amounts of capital.

- (b) 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 of the Cooperative, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, then, subject to applicable rules, regulations, or restrictions imposed upon the Cooperative with respect thereto by the Internal Revenue Service, Rural Utilities Service of the Department of Agriculture or by the National Rural Utilities Cooperative Finance Corporation, the capital then credited to Members' accounts for any one (1) or more fiscal years of the Cooperative may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.
- (c) Capital credited to the account of each Member shall be assignable on the books of the Cooperative only pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such Member's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.
- (d) Notwithstanding any other provision of these Bylaws, the Board of Directors at its discretion, shall have the power at any time upon the death of any Member who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such Member be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such Member immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such Member's estate shall agree upon; provided, however, that the Board's discretion under this provision to retire credits shall be exercised only if it determines that the financial condition of the Cooperative will not be impaired by such action.
- (e) The Cooperative, before retiring any capital credited to any Member's account, shall deduct any amount owing by that Member to the Cooperative.
- (f) The Members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws, as they may be adopted, amended, or repealed from

time to time, shall constitute and be a contract between the Cooperative and each Member, and both the Cooperative and the Members are bound by such contract, as fully as though each Member had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the 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 VIII**  
**Disposition of Property.**

**Section 1. Procedure for Disposition of Property.**

- (a) The Cooperative may not sell, mortgage, lease, or otherwise dispose of or encumber all or substantially all of its property for a purpose other than to secure indebtedness of the Cooperative unless the sale, mortgage, lease, or other disposition or encumbrance is authorized as provided by subsections (b) through (d) of this section.
- (b) After complying with the provisions of the Board's Policy Establishing Procedures for Disposition of All or Substantially All of the Cooperative's Property, and after appropriate evaluation under that policy and the determination by a vote of two-thirds of all the Directors that the sale, mortgage, lease, or other disposition or encumbrance is in the best interest of the Cooperative and its Members, the Board of Directors shall adopt a resolution recommending the sale, mortgage, lease, or other disposition or encumbrance and directing the submission of the matter to a vote in conjunction with a regular or Special Meeting of Members. The Board's Policy Establishing Procedures for Disposition of All or Substantially All of the Cooperative's Property may not be amended or repealed except by affirmative vote of two-thirds of all the Directors.
- (c) Each Member entitled to vote shall be given written notice of the balloting on this issue. The notice must state that the purpose or one of the purposes of the ballot is to consider the proposed sale, mortgage, lease, or other disposition or encumbrance of the property and must fairly summarize the material features of the proposed transaction. The notice must be given within the time and in the manner prescribed by these Bylaws for giving notice of a meeting of Members.
- (d) The Members may authorize the Board of Directors to make the sale, mortgage, lease, or other disposition or encumbrance and to fix the terms and conditions of the transaction and the consideration to be received by the Cooperative. An affirmative vote of at least fifty-one (51) percent of all of the Members of the Cooperative is required to give the Board the authority described by this subsection. The vote must be taken prior to and its result announced at a regular or Special Meeting of Members called for that purpose. Voting shall be by mail and in a manner that can be confirmed by audit.

**Article IX**  
**Seal**

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

## **Article X**

### **Financial Transactions**

**Section 1. Contracts.** Except as otherwise provided in these Bylaws, the Articles of Incorporation or by statute, the Board of Directors may authorize any officer or officers, or employee or employees, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

**Section 2. Checks, Drafts, etc.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned by such officer or officers, or 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 except petty cash 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. Change in Rates.** Written notice shall be given to the Administrator of the Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

**Section 5. Fiscal Year.** The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

## **Article XI**

### **Miscellaneous**

**Section 1. Membership in Other Organizations.** The Cooperative shall not become a member of nor purchase stock in any other organization without an affirmative vote of the Members at a duly held Meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may, upon the authorization of the Board of Directors, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, of a federally chartered instrumentality of the United States for financing purposes, or with the approval of the Administrator of Rural Utilities Service, of any other corporation for the purpose of acquiring electric facilities.

**Section 2. Waiver of Notice.** Any Member or Director may waive in writing any notice of a meeting required to be given by these Bylaws. The attendance of a Member or Director at any meeting shall constitute a waiver of notice of such meeting by such Member or Director, except in case a Member or Director shall attend a

meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

**Section 3. Policies, Rules and Regulations.** The Board of Directors shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

**Section 4. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to whatever accounting system may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board of Directors shall also, after the close of each fiscal year, cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A report of the audit shall be made available to Members at the next following Annual Meeting.

**Section 5. Area Coverage.** The Board of Directors shall make a diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (i) desire such service and (ii) meet all reasonable requirements established by the Cooperative as a condition of such service.

**Article XII  
Amendments**

These Bylaws may be altered, amended or repealed by not less than the affirmative vote of two-thirds of all of the Board of Directors at any regular or special meeting. A copy of the current Bylaws shall be available at all area offices of the Cooperative for inspection by Members.

**DESIGNATION OF REPRESENTATIVE**

The undersigned entity, a member of Rio Grande Electric Cooperative, Inc., which is an entity other than a natural person, in accordance with Article II, Section 5(a) of the Bylaws of the Cooperative, hereby designates \_\_\_\_\_ to act for the undersigned entity in any election of Directors or voting on any issue submitted to Members. I understand that this designation is effective only if signed on behalf of the entity by an authorized representative, which must be, for a corporation, a President or Vice-President; for a partnership, a partner; or, for other types of organizations, one acting in an authorized capacity. This designation shall remain in effect until it is revoked by the undersigned entity and written notice of such revocation is given to the Cooperative.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**CORPORATION:**

\_\_\_\_\_  
Name of Corporation

**ESTATE, ASSOCIATION,  
OR OTHER ORGANIZATION**

By \_\_\_\_\_  
(President or Vice-President)

\_\_\_\_\_  
Title of Person Signing

**PARTNERSHIP:**

\_\_\_\_\_  
Name of Partnership

By \_\_\_\_\_  
(Partner)

\_\_\_\_\_  
Title of Person Signing

**Name of Entity**

By \_\_\_\_\_  
(Authorized Representative)

\_\_\_\_\_  
Title of Person Signing