

BYLAWS  
of  
SPRINGER ELECTRIC COOPERATIVE, INC.

ARTICLE I  
MEMBERSHIP

SECTION 1. 1 Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of Springer Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he or it has first:

- (a) Made a written application for membership therein;
- (b) Agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (c) Agreed to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the Board of Trustees (hereinafter called the "Board"); and
- (d) Paid the membership fee hereinafter specified.

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

SECTION 1. 2 Membership Certificates. No membership certificate need be issued unless required by rules and regulations adopted by the Board.

SECTION 1. 3 Joint Membership. A husband and wife may apply for a joint membership and subject, to their compliance with the requirements set forth in Section 1.1 of this Article, become joint members. The term "member" as used in these bylaws shall mean each natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision or agency thereof or any body politic admitted to membership and shall include a husband and wife who hold 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 trustee; provided that both meet the qualifications for such office.

SECTION 1. 4 Conversion of Membership,

(a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement by such holder and his or her spouse to comply with the articles of incorporation, bylaws and rules and regulations adopted by the Board. The Cooperative records shall thereupon be changed to indicate the changed membership status.

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

SECTION 1.5 Membership Fee. The membership fee shall be five dollars (\$5.00).

SECTION 1.8 Purchase of Electric Energy. Each member shall, as soon as electricity energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefor at rates which shall from time to time be fixed by the Board. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall pay to the Cooperative such minimum amount, regardless of the amount of electric energy consumed, as shall be fixed by the Board from time to time. Each member shall also pay all the amounts owed by him to the Cooperative as and when the same shall become due and payable. Nothing contained in these bylaws shall be construed to be repugnant to any provision of the New Mexico Public Utility Act, as now or hereafter amended.

SECTION 1.7 Termination of Membership.

(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by the affirmative vote of not less than two-thirds of all the trustees, 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. Any expelled member may be reinstated by vote of the Board or by vote of the members at any annual or special meeting. The membership of a member who, for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase any energy from the Cooperative, may be cancelled by resolution of the Board.

(b) Upon the withdrawal, death, cessation of existence, expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

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

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 2.1 Property Interest of Members. Upon dissolution, after all debts, liabilities and obligations of the Cooperative have been paid and discharged or adequate provision shall have been made therefor, including the retirement of all capital furnished through patronage, the remaining property and assets of the Cooperation shall be distributed to the members pursuant to the provisions of law, as now or hereafter existing.

SECTION 2.2 Non-liability for Debts of the Cooperative. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

**ARTICLE III**  
**MEETING OF THE MEMBERS**

**SECTION 3.1 Annual Meeting.** The annual meeting of the members shall be held on such day during the month of June of each year, beginning in the year 1990, as may be selected by resolution of the Board designating the time and place of the annual meeting within a New Mexico county served by the Cooperative, and which shall be stated in the notice of meeting, for the purpose of electing trustees, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. Failure to hold the annual meeting shall not work a forfeiture or dissolution of the Cooperative.

**SECTION 3.2 Special Meetings.** Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three trustees, by the President, or by ten per centum or more of all the members, and it shall thereupon be the duty of the Secretary to cause such notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within one of the New Mexico counties served by the Cooperative as designated in the petition or by the Board and shall be specified in the notice of the special meeting.

**SECTION 3.3 Notice of Members Meetings.** Written or printed notice stating the place, day and hour of the meeting, and in the 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 twenty-five days before the date of the meeting, either personally or by mail, to each member, by the Board or the Secretary, or their legal representative, or upon default in duty by the Board or the Secretary, by the persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

**SECTION 3.4 Quorum.** As long as the total number of members does not exceed five hundred, ten per centum of the total number of members, present in person, shall constitute a quorum. In case the total number of members shall exceed five hundred, fifty members or five per centum of the members present in person, whichever shall be the larger, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice.

**SECTION 3.5 Voting.** Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the articles of incorporations or these bylaws.

**SECTION 3.6 Order of Business.** The order of business at the annual meeting of the members and, so far as possible, at all meetings of the members, shall essentially as follows, except as otherwise determined by the members at such meeting.

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, trustees and committees.
5. Election of trustees.
6. Unfinished business.
7. New business.
8. Adjournment.

**ARTICLE IV**  
**TRUSTEES**

**SECTION 4.1 General Powers.** The business and affairs of the Cooperative shall be managed by a Board of not less than seven nor more than eleven trustees, which Board shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation, or these bylaws conferred upon or reserved to the members.

**SECTION 4.2 Elections and Terms of Office.** The terms of office of each trustee elected by the members shall be until the annual meeting of the members held in the third year following his or her election. The trustees shall be divided by the Board into three classes, as nearly equal in number as possible, with the presently existing classes and the incumbent members thereof and their terms of tenure to continue without interruption by this 1989 amendment. After the 1989 annual meeting of members the Board shall have the power to determine by resolution duly adopted at least sixty days before any annual meeting any change in the number of trustees who will thereafter comprise the Board, and the number of trustees to be elected at the upcoming annual meeting of members. Such resolution shall specify the vacancies to be filled in any class and the future number of trustees in each class, and may transfer an incumbent trustee to a different class and in doing so may extend, but not shorten, the tenure of any trustee elected by the members. Subject to the foregoing provisions, a sufficient number of trustees to fill the class whose terms will expire at the third annual meeting after their election shall be elected by secret ballot at each annual meeting by and from the members, to serve for the term of their respective class, or until their successors shall have been elected and shall have qualified. If an election of trustees shall not be held on the day designated hereunder for the annual meeting, or at any adjournment thereof, a special meeting of the members shall be held for the purpose of electing trustees within a reasonable time thereafter. Trustees may be elected by a plurality vote of the members.

**SECTION 4.3 Qualifications.** No person shall be eligible to become or remain a trustee of the Cooperative who:

- (a) is not a member and bona fide resident in the area served or to be served by the Cooperative; or
- (b) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy to the Cooperative, except a wholesale power cooperative.

Upon establishment of the fact that a trustee is holding the office in violation of any of the foregoing provisions, the Board shall remove such trustee from office.

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

**SECTION 4.4 Nominations.** It shall be the duty of the Board to appoint, not less than thirty (30) days nor more than ninety (90) days before the date of a meeting of the members at which trustees are to be elected, a committee on nominations consisting of not less than five (5) members nor more than eleven (11) members who shall be selected from different geographical areas so as to assure equitable geographical representation. No trustee may serve on such committee. The committee, keeping in mind the principal geographic representation, shall prepare and post at the principal office of the Cooperative at least twenty-five (25) days before the meeting a list of nominations for trustees which may include a greater number of candidates than are to be elected. The Board or the Secretary, or their legal representatives, shall be responsible for mailing with the notice of the meeting or separately, but at least ten (10) days before the date of a meeting, a statement of the number of trustees to be elected and the names and addresses of the candidates nominated by the committee on nominations. Any fifteen (15) or more members acting together may make other nominations by petition and the Secretary shall be responsible for the posting of such nominations at the same place where the list of nominations made by the Committee is posted. Nominations made by petition, if any, must be received at least fifteen (15) days before the date of the annual meeting. No member may nominate more than one candidate. There shall be no other form of nominations.

## ARTICLE VI OFFICERS

**SECTION 4.5 Removal of Trustees by Members.** Any member may bring charges against a trustee and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum of the members or 300, whichever is the lesser, may request the removal of such trustee by reason thereof. Such trustee shall be informed in writing of the charges at least ten days prior to the regular or special meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such trustee shall be considered and voted upon at the meeting of the members and if a majority vote for removal, a quorum being present, the term of the trustee is terminated. The vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

**SECTION 4.6 Vacancies.** Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of a trustee by the members, a vacancy occurring in the Board shall be filled by the affirmative vote of a majority of the remaining trustees for the unexpired portion of the term.

**SECTION 4.7 Compensation.** Trustees shall receive fixed fee compensation for their services to the Cooperative, travel expenses or mileage, and reimbursement or per diem for their other expenses, in such reasonable amounts as the Board prescribes; provided, however, that no trustee shall receive compensation for any services or expenses not authorized by the Board, nor shall any close relative of a trustee receive compensation for serving the Cooperative, unless payment and the amount of compensation shall be expressly authorized by a vote of the Board, or unless such employment and compensation shall have subsequently been certified and approved by the Board as an emergency measure.

## ARTICLE V MEETINGS OF THE BOARD

**SECTION 5.1 Regular Meetings.** A regular meeting of the Board shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board shall also be held monthly at such time and place within one of the New Mexico counties served by the Cooperative as designated by the Board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

**SECTION 5.2 Special Meeting.** Special meetings of the Board may be called by the President or by any three trustees, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or trustees calling the meeting shall fix the time and place for the holding of the meeting.

**SECTION 5.3 Notice of Board Meetings.** Written notice of the time, place and purpose of any special meeting of the Board shall be delivered to each trustee either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the trustee calling the meeting, at least five days before the date set for the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the trustee at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

**SECTION 5.4 Quorum.** A majority of the Board shall constitute a quorum; provided that if less than such majority of the Board present may adjourn the meeting from time to time; and provided further that the Secretary shall notify any absent trustee of the time and place of such adjourned meeting. The act of a majority of the trustees present at a meeting at which a quorum is present shall be the act of the Board, except as otherwise provided in these bylaws.

**SECTION 6.1 Offices.** The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer, and such other officers as may be determined by the Board from time to time. The offices of Secretary and Treasurer may be held by the same person.

**SECTION 6.2 Election and Term of Office.** The officers shall be elected by ballot, annually by and from the Board at the meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

**SECTION 6.3 Removal of Officers and Agents by the Board.** Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgement the best interest of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges against an officer, with a petition signed by ten per centum of the members or 300, whichever is the lesser, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten days prior to the regular or special Board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to prevent evidence in respect to the charges; and the person or persons bringing the event the Board does not remove such officer, the question of his removal shall be considered and voted upon at the next regular or special meeting of the members.

**SECTION 6.4 President.** The President shall:

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

**SECTION 6.5 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 by the Board.

**SECTION 6.6 Secretary.** The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these bylaws or as required by the 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 documents, the execution of which on behalf of the Cooperative under its seal is required in accordance with the provisions of these bylaws or by law;

- (d) keeping a register of the names and post office addresses of all members;
- (e) keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and all the expense of the Cooperative, furnishing one copy of the bylaws and of all amendments thereto to each patron without request; and
- (f) in general performing all duties incident to the office of Secretary and other such duties as from time to time may be assigned to him by the Board.

SECTION 6 . 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 or other financial institutions as shall be selected in accordance with the provisions of these bylaws; and
- (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

SECTION 6 . 8 Manager. The Board may appoint a manager who may be, but who shall not be required to be a member of the Cooperative. The manager shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.

SECTION 6 . 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 such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent, or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 6 . 10 Compensation. The powers, duties and compensation of officers, agents, and employees shall be fixed by the Board subject to the provisions of these bylaws with respect to compensation for trustees and close relatives of trustees.

SECTION 6 . 11 Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

## ARTICLE VII

### NON-PROFIT OPERATION

SECTION 7 . 1 Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefits of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 7 . 2 Patronage Capital In Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, members and non-members alike, will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons, members and non-members alike, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital.

The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and 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 patron is clearly reflected and credited in the appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

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 accounts of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part. Any such retirements of capital furnished prior to January 1, 1978, 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. After January 1, 1978, the Board shall determine the method, basis, priority and order of retirement, if any, for all amounts thereafter furnished as capital; provided, however, that notwithstanding any other provisions of these bylaws, capital credits based upon patronage by the Cooperative's patrons and capital credits arising from all other amounts received by the Cooperative in cash from its operations shall be allocated to its patrons separately from capital credited to the Cooperative by an organization furnishing wholesale electric power to the Cooperative on a patronage basis ("power supply portion"), and from any other source of capital credited to the Cooperative, until any such capital credits have been actually paid in cash; for this purpose the Board shall have the power to adopt rules defining the various types of patronage capital credits and other types of capital credits, as well as to establish rules for the assignment of capital credits for each fiscal year which will not impair the Cooperative exemption from federal income tax liability, and to adopt rules as to the retirement of any capital credits which will protect the Cooperative from any impairment of its financial stability and which will comply with the terms of the Cooperative's mortgages, deeds of trust, and loan agreements. Such authority in the Board shall include, but not be limited to, the power to adopt rules which shall (a) establish a method for determining the power supply portion of capital credited to each patron for each applicable fiscal year, (b) provide for retroactive separate identification on the Cooperative's books of the power supply portion of capital credited to the Cooperative's patrons, (c) provide for appropriate notification to patrons with respect to the power supply portion of capital credited to their accounts, (d) preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons of the same year or of any capital credited to patrons for any prior fiscal year in which there was a power supply capital credit, (e) provide for the separate retirement of the power supply portion of capital credited to the account of the Cooperative by such organization furnishing wholesale electric power to the Cooperative, and (f) provide whether a portion or all of such power supply capital credits should be first used to offset any losses incurred during the current or any prior fiscal year.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in occupancy in all or part of such patron's premises served by the Cooperative, unless the Board, acting under policies of general application, shall determine otherwise. In the event that a non-member patron shall elect to become a member of the Cooperative, the capital credited

to the account of such non-member patron may be applied by the Cooperative toward the payment of the membership fee on behalf of such non-member patron.

The member and non-member patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the articles of incorporation and bylaws shall constitute and be a contract between the cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provision of this article of the bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

**SECTION 7.3 Special Right To Assign Patronage Capital.** Any member or patron may assign all or any portion of his patronage capital earned or credited, or expected to be earned or credited in the future to the Springer Electric Coop. Education Foundation, a charitable tax exempt trust, effective as of the date of assignment, subject in all cases to the Cooperative's prior lien for unpaid charges.

**SECTION 7.4 Assignment of Patronage Capital to Charitable Trust By Failure to Provide Address.** Notwithstanding any other bylaw provisions, patronage capital credits and capital credit payments, notice or delivery of which cannot be made for failure of a patron or former patron to claim the same in person, or to furnish an effective mailing address, for a period of two years after the Cooperative has mailed the same with sufficient postage to the last known address and to the last address provided to the Cooperative, or after the Cooperative has in good faith attempted to deliver such notice or payment, shall be and constitute an irrevocable gift by the patron to Springer Electric Coop. Education Foundation a charitable tax exempt trust, of such credit or payment remaining after the Cooperative's prior claim for charges due has been satisfied.

**SECTION 7.5 Charitable Trust.** It shall be the duty of the Cooperative to take the necessary steps to establish said tax exempt charitable trust and to obtain approval of the Internal Revenue Service of the United States and the Bureau of Revenue of New Mexico and to cause to be named as trustees the officers from time to time of the Cooperative, being the President, Vice President, the Secretary and Treasurer, who are to serve as trustees without compensation. The right of indemnification granted by the Cooperative in Article XI of the bylaws is hereby extended to each officer, trustee and employee if the Cooperative who serves as such in the Springer Electric Coop. Education Foundation pursuant to the terms of this bylaw.

**SECTION 7.6 Priority of Cooperative's Claim for Amounts Due From Patrons.** Nothing contained in this Article shall be construed to deprive the Cooperative of its first lien against any patronage capital credits to satisfy any unpaid electric bills of the patron; only that portion of a capital credit or payment which is not needed to satisfy an unpaid balance for the electric service may be transferred to the Springer Electric Coop. Education Foundation under the provisions hereof for educational purposes.

**SECTION 7.7 Savings Clause.** If any portion of this Article shall be held invalid or not effective to accomplish its purposes, the remaining portions of the Article shall not be affected thereby, and in no event shall this Article be construed to adversely affect the exemption of the Cooperative from liability for payment of income taxes on its revenue from the distribution of electricity of its patrons.

## ARTICLE VIII

### DISPOSITION OF PROPERTY

The Cooperative may not sell, convey, lease, exchange, transfer or otherwise dispose of all or any substantial portion of its property unless such sale, conveyance, lease, exchange, transfer or other disposition is authorized at a duly held meeting of the members thereof by the affirmative vote of not less than two-thirds of all of the members of the Cooperative, and unless the notice of such proposed sale, lease, or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board, without authorization by the Cooperative members shall have full power and authority to authorize the execution and delivery of a mortgage or a deed or deeds of trust upon, or the pledg-

ing, assignment for security purposes or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired, and whenever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative.

## ARTICLE IX

### SEAL

The corporate seal of the Cooperative shall have inscribed the name of the Cooperative, the words "Corporate Seal" and "New Mexico" or "State of New Mexico."

## ARTICLE X

### FINANCIAL TRANSACTIONS

**SECTION 10.1 Contracts.** Except as otherwise provided in these bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

**SECTION 10.2 Checks, Drafts, etc.** All checks, drafts or other orders for payment of money, and all notes, bonds or other evidence of indebtedness issued in the name of the Cooperative, shall be signed and/or countersigned by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board.

**SECTION 10.3 Deposits.** All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such federally insured bank of banks or saving and loan associations as the Board may select.

**SECTION 10.4 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

### INDEMNIFICATION

**SECTION 11.1 Basic Indemnification.** The Cooperative shall indemnify each of its officers, trustees, employees, and attorneys, whether or not then in office, and any person who may have served at its request as trustee, director or officer of another corporation in which it owns shares of capital stock or in which it holds a membership or of which it is a creditor, as well as the executor, administrator and heirs of any of them against expenses actually and reasonably incurred by him (including, but not limited to, judgements, costs, and counsel fees) in connection with the defense of any litigation (including any civil, criminal, or administrative action, suit or proceeding) in which he is involved or made a party by reason of being or having been made a trustee, officer, employee, or attorney of the Cooperative or a trustee, director or officer of such other corporation. He shall have no right to reimbursement, however, in relation to matters as to which he has been adjudged liable for gross negligence or misconduct in the performance of his duties to the Cooperative or other corporation. The right to indemnity for expenses shall also apply to expenses in connection with suits which are compromised or settled if (1) the Court having jurisdiction of the action shall approve such settlement, or (2) a majority of the Board, excluding those interested, votes to approve such settlement.

**SECTION 11.2 Non-exclusive.** The foregoing right of indemnification shall be in addition to, and not exclusive of, all other rights to which such trustee, director, officer, employee or attorney may be entitled.

**SECTION 11.3 Determination.** Any amount payable by way of indemnity under this Article XI may be determined and paid (1) pursuant to an order of, or allowance by, a Court under the then applicable provisions of the Rural Electric Cooperative Act, or (2) pursuant to a resolution of a majority of the trustees other than those who have incurred expenses in connection with the litigation for which indemnification is sought, or (3) pursuant to a resolution of a majority of the Cooperative members present and voting at any annual or special meeting.

SECTION 11.4 Insurance. The Board may, at its discretion, authorize the purchase of a policy or policies of insurance against any liability of the Board to indemnify any person pursuant to this bylaw, containing such terms and conditions as the Board may deem appropriate. Such policy or policies may include provisions for the direct indemnification of trustees, directors, officers, or other persons for expenses of a kind not subject to indemnification hereunder, the premiums on such combined policies either to be borne entirely by the Cooperative or, at the sole discretion of the Board, on an allocation, in the judgement of the Board, between the Cooperative and the insured persons.

## ARTICLE XII MISCELLANEOUS

SECTION 12.1 Membership in Other Organizations. The Cooperative shall not become a member of or purchase stock in any other organization without the affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase; provided, however, that the Cooperative may upon the authorization of the Board, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of the Rural Electrification Administration, of any other corporation for the purpose of acquiring or financing the acquisition of electric facilities.

SECTION 12.2 Waiver of Notice. Any member or trustee may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or trustee at any meeting shall constitute a waiver of notice of such meeting by such member or trustee, except in case a member or trustee 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.

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SECTION 12.3 Policies, Rules and Regulations. The Board shall have power to make and adopt such policies, rules and regulations, not inconsistent with the 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 12.4 Accounting System and Reports. The Board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Electrification Administration. The Board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of each fiscal year. A report of such audit shall be submitted to the members at the next following annual meeting.

SECTION 12.5 Area Coverage. The Board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable and lawful requirements established by the Cooperative as a condition of such service.

SECTION 12.6 Enchantment Magazine. The Board of Directors shall be empowered and authorized to subscribe to Enchantment Magazine on behalf of and for circulation to the individual consumers of the Cooperative at an annual subscription rate which shall not be less than \$4.00 nor more than \$8.00 and such subscription shall be paid for each member of the Cooperative from any funds accruing in favor of each member so as to reduce such funds in the same manner as would any other expense of the Cooperative.

## ARTICLE XIII

### AMENDMENTS

These bylaws or any of them may be altered, amended or repealed by the majority of the members present at any regular annual meeting or special meeting called for that purpose, a quorum being present; provided, however, the notice of such meeting shall have contained a copy of each proposed alteration, amendment or repeal.