

ARTICLES OF INCORPORATION

of

BANDERA ELECTRIC COOPERATIVE, INC.

*Approved
11/14/33
H. W. Clark
Secretary*

KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned, being natural persons of the age of twenty-one years or more and citizens and residents of the State of Texas, for the purpose of forming a corporation under the "Electric Cooperative Corporation Act" of the State of Texas, do hereby adopt the following articles of incorporation:

ARTICLE I

The name of the Corporation is
BANDERA ELECTRIC COOPERATIVE, INC.

ARTICLE II

The purpose or purposes for which the Corporation is organized are to engage in rural electrification and

1. To generate, manufacture, purchase, acquire and accumulate electric energy and to transmit, distribute, furnish, sell and dispose of such electric energy to its members only;
2. To assist its members only to wire their premises and install therein, and to acquire and supply, electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character.

ARTICLE III

The names and addresses of the incorporators who shall serve as directors and manage the affairs of the Corporation until the first annual meeting of the members or until their

Successors are elected and qualified are as follows:

Raymond Hicks	Bandera, Texas
Thos. P. Grant	Tarpley, Texas
J. J. Leighton	Vanderpool, Texas
A. H. Schott	Pipe Creek, Texas
E. H. Sewall	Medina, Texas
Stafford Smith	Utopia, Texas
F. Pruc	Pipe Creek, Texas
J. O. Butler	Bandera, Texas
R. L. Garrison,	Medina, Texas

ARTICLE IV

The number of directors to be elected at annual meetings of the members is nine (9).

ARTICLE V

The address of the principal office of the Corporation shall be Bandera City, County of Bandera, Texas, and the name and address of its agent upon whom process may be served is Raymond Hicks, Bandera City, Bandera County, Texas.

ARTICLE VI

The duration of the Corporation shall be perpetual.

ARTICLE VII

Section 1. Any person, firm, corporation or body politic may become a member in the Corporation by:

- (a) Paying the membership fee hereinafter specified;
- (b) Agreeing to purchase from the Corporation electric energy as hereinafter specified; and

(c) Agreeing to comply with and be bound by the articles of incorporation of the Corporation and the bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the board of directors;

provided, however, that no person, firm, corporation or body politic shall become a member unless and until he or it has been accepted for membership by the board of directors or the members. At each meeting of the members held subsequent to the expiration of a period of six (6) months from the date of incorporation of the Corporation, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the board of directors shall be submitted by the board of directors to such meeting of the members and, subject to compliance by the applicant with the conditions set forth in subdivisions (a), (b) and (c) of this section, such application for membership may be accepted by a vote of the members at such meeting. The Secretary shall give any such applicant at least ten (10) days prior notice of the date of the members' meeting to which his application will be submitted and such applicant may be present and heard at the meeting. No person, firm, corporation or body politic may own more than one (1) membership in the Corporation.

A husband and wife may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this section provided the husband and wife comply jointly with the provisions of the above subdivisions (a), (b) and (c).

Section 2. Each member shall, as soon as electric energy shall be available, purchase from the Corporation all electric energy used on the premises referred to in the application of such member for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by resolution of the board of directors; provided, however, that the electric energy which the Corporation shall furnish to any member may be limited to such an amount as the board of directors shall from time to time determine and that each member shall pay to the Corporation such minimum amount per month as shall be fixed by the board of directors, from time to time, regardless of the amount of electric energy consumed. Each member shall also pay all obligations which may from time to time become due and payable by such member to the Corporation as and when the same shall become due and payable.

Section 3. The bylaws of the Corporation may fix other terms and conditions upon which persons shall be admitted to and retain membership in the Corporation not inconsistent with these articles of incorporation or the Act under which it is organized.

ARTICLE VIII

The Corporation may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

- (a) property which in the judgment of the board of directors neither is nor will be necessary or useful in operating and maintaining the Corporation's system and facilities; provided, however, that all sales of such property shall not in any one (1)

year exceed in value ten per centum (10%)
of the value of all of the property of the
Corporation;

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

(c) personal property acquired for resale;

unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of the members voting thereon at such meeting in person or by proxy, and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, Reconstruction Finance Corporation, or any agency or instrumentality thereof, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidences of indebtedness and, to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Corporation, wherever situated, and whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the board of directors shall determine.

ARTICLE IX

As long as the total number of members does not exceed one thousand (1,000), at least fifteen per centum (15%) of the total number present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members provided at least five per centum (5%) of the total number of members are present in person. In case the total number of members shall exceed one thousand (1,000) then at least one hundred fifty (150) of the members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of those present in person or represented by proxy may adjourn the meeting from time to time without further notice.

ARTICLE X

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

IN WITNESS WHEREOF we have hereunto set our hands and seals this 12th day of November, 1938.

Raymond Dickson (SEAL)
Thomas C. Hunt (SEAL)
A. H. Schatz (SEAL)
J. H. Smith (SEAL)
W. H. Stewart (SEAL)
F. P. Stone (SEAL)
W. H. T. T. T. (SEAL)
P. J. Garrison (SEAL)
J. O. Butler (SEAL)

STATE OF TEXAS
COUNTY OF BANDERA

} SS

Before me, *Shelma Surber*

Davenport, a Notary Public, on

this day personally appeared *Raymond Hicke, Mrs. P. Kraut, A. H. DeWitt, J. J. Heighway, E. W. Sewell, J. Price, Stafford Smith, P. J. Harrison, and J. W. Butler,*

known to me to be the persons whose names are subscribed to the foregoing instrument and severally acknowledged to me that they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this *12th* day of November, 1938.

(seal)

Shelma Surber Davenport
Notary Public, Bandera County, Texas

My commission expires May 31, 1939.

STATE OF TEXAS
COUNTY OF BANDERA

} SS

BEFORE ME,

, a Notary Public, on

this day personally appeared
known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this day of November, 1938.

(seal)

~~Notary Public, Bandera County, Texas~~

~~My commission expires May 31, 1939.~~

NO 74217
CHARTER OF
BANDERA ELECTRIC
COOPERATIVE, INC.

Bandera City, Texas

Capital Stock - - - \$ None
Filing Fee - - - \$ 10.00
ANN. LICENSE FEE 10.00
~~ISSUANCE~~ - - - - \$
Remarks: Duration perpetual

N

FILED IN THE OFFICE OF THE
SECRETARY OF STATE

THIS 7th DAY OF November 19 39
Edward Bell
Secretary of State

O-961-988-3m.

EXEMPT



The State of Texas
Secretary of State

I, EDWARD CLARK, Secretary of State, of the State of Texas, do hereby certify that the foregoing is a true and correct copy of the charter of the

BANDERA ELECTRIC COOPERATIVE, INC.

with the endorsement thereon, as the same now appears of record in this Department.

In Testimony Whereof, I have hereunto signed my name officially and caused to be impressed hereon the Seal of State at my office in the City of Austin, this 14th day of November A. D. 1938.



Edward Clark
Secretary of State.

THE STATE OF TEXAS

County of Bandera

I, Roscoe D. Hayes, Clerk of the County Court of said County, do hereby certify that the foregoing instrument of writing dated on the 12 day of Nov, A. D. 1938 with its certificate of authentication was filed for record in my office the 15 day of Nov, A. D. 1938 at 8:35 o'clock A., and duly recorded the 15 day of Nov, A. D. 1938, at 10:45 o'clock A., in the Need Records of said County in Volume M-24 on Pages 204-207.
Witness my hand and seal of the County Court of said County at office in Bandera the day and year last above written.

Roscoe D. Hayes
Clerk County Court, Bandera County, Texas

By Flora C. Rice Deputy

FILED FOR RECORD

AT 8:55 O'CLOCK P.M.

NOV 15 1938
Rosa H. Hayes
COUNTY CLERK, SANDHURST COUNTY

BY _____ DEPUTY

*Return to
Christy V. Meyer
545 Madison Rd. S.E.
Rm. 201
Sandhurst, Ga.*

discussed and a resolution adopted that certain amendments be adopted.

The manager then stated that council for the Cooperative had now prepared specific amendments. Upon discussion and consideration of the specific amendments the following resolution was adopted:

RESOLVED that the Articles of Incorporation of the Cooperative be amended as follows:

1. That Article IV be amended so as to hereafter read as follows:

ARTICLE IV

The number of directors of the Cooperative is nine. Directors shall be elected annually, or as otherwise provided in the by-laws, by the members.

2. That Article VIII be amended so as to hereafter read as follows:

ARTICLE VIII

Disposition of Property

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:


- (a) property which in the judgment of the board of directors neither is nor will be necessary or useful in operating and maintaining the Cooperative's systems and facilities provided, however, that all sales of such property shall not in any one year exceed in value ten percentum(10%) of the value of all of the property of the Cooperative;
- (b) services of all kinds, including electric energy; and
- (c) personal property acquired for resale unless such sale, mortgage, lease, or other disposition or encumbrances is authorized at a meeting of the members by the affirmative vote of at least fifty one percentum (51%) of all the members of the Cooperative voting in person, and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meetings; provided, however, that notwithstanding anything herein contained, the board of directors, without

authorization by the members, shall have full power and authority to borrow money and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidence of indebtedness and, to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbrancing of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the board of directors shall determine, provided, however, that so long as the Cooperative is indebted to the United States of America, or any agency thereof no encumbrance of the Cooperative's property shall be created without the consent of the United States of America or the applicable agency thereof.

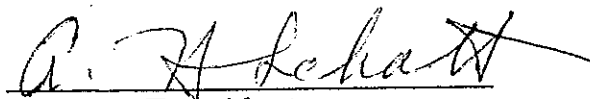
BE IT FURTHER RESOLVED that notice to the members of the general nature of the proposed amendments be given in accordance with the by-laws prior to the annual meeting of the members to be held in 1971 and that at such meeting of the members, a vote be taken by the members for the approval for such proposed amendments.

BE IT FURTHER RESOLVED that in the event the proposed amendments are approved by the members, that the officers of the Cooperative be and they are hereby authorized to take all necessary steps for the legal filing and recording of such amendments with the Secretary of State.

There being no further business the meeting adjourned.


Secretary

APPROVED:


President

August 14, 1971

ANNUAL MEMBERSHIP MEETING MINUTES
BANDERA ELECTRIC COOPERATIVE, INC.

The annual meeting of the members of the Bandera Electric Cooperative, Inc. was held at the Cooperative's office located at Bandera, Bandera County, Texas, at 10:15 o'clock A.M., on the 14th day of August, 1971. W. W. Cardwell, General Manager of the Cooperative, having been so designated by the Board of Directors, presided over the meeting and D. E. Conwill, Jr. acted as Secretary.

The chairman then stated, following consultation with the registrar, that a quorum was present and that the business of the meeting could proceed. There were 49 members present in person, 529 members present by proxy and 542 members voting by mail, representing 19% of the membership.

Upon motion duly made, seconded and unanimously carried the reading of the notice of the meeting and proof of mailing was dispensed with and a copy of each was ordered annexed to and made a part of these minutes.

Upon motion duly made, seconded and unanimously carried the reading of the minutes of the previous meeting was also dispensed with.

The chairman then referred to the Cooperative's 1970 Annual Report mailed to all members in May, 1971, and asked for comments or questions. There being no comments or questions the members were given information on the Cooperative's increased purchase and sale of electric energy and the outlook

for future growth.

The chairman then stated that the next order of business would be the election of Directors. The Secretary of the Cooperative then placed in nomination the names of those candidates nominated at the District Meeting as follows:

District 1 - A. H. Schott	District 5 - Len Cooley
District 2 - D. E. Conwill, Jr.	District 6 - J. A. Bunton
District 3 - H. L. Mansfield	District 7 - Wm. D. Parkinson
District 4 - Louis Bergmann	District 8 - P. L. Garrison
District 9 - L. S. Goforth	

The chairman then explained that additional nominations could be made from the floor of the meeting. There being no nominations from the floor and upon motion duly made, seconded and unanimously carried nominations were closed and 125 votes cast for the unopposed candidates by acclamation. Following tabulations of votes by acclamation and votes for candidates by mail ballots the total votes received by each candidate was as follows:

A. H. Schott	659	Len Cooley	659
D. E. Conwill, Jr.	659	J. A. Bunton, Jr.	659
H. L. Mansfield	658	Wm. D. Parkinson	659
Louis Bergmann	658	P. L. Garrison	658
L. S. Goforth		658	

The chairman stated that the next order of business would be consideration of the proposed amendment to Article IV of the Cooperative's Articles of Incorporation as outlined in the notice of meeting. He explained the amendment to Article IV

relating to staggered terms for Directors. He also compared the present language of Article IV to the language proposed in the amendment whereupon a resolution was adopted by vote of 1,086 for and 27 against as follows:

RESOLVED that Article IV of the Cooperative's Articles of Incorporation be amended to hereafter read as follows:

ARTICLE IV

The number of directors of the Cooperative is nine. Directors shall be elected annually, or as otherwise provided in the by-laws, by the members.

The next order of business was consideration of the proposed amendment to Article VIII of the Cooperative's Articles of Incorporation. The chairman then explained the purpose of the amendment to Article VIII as the same related to the Cooperative's ability to carry out its obligation to Cooperative members and the public and he also pointed out the provision in said amendment requiring 51% of all the Cooperative's members present and voting before the Cooperative could dispose of its useful assets. The secretary then read the proposed amendment to the meeting whereupon a motion was duly made and seconded that the amendment be adopted. The chairman then ordered ballots be distributed to the members and appointed Mr. F. C. Billings, Mr. Fred H. Mansfield and Mr. W. B. Joiner to tabulate the ballots as voted by members at the meeting. Following tabulation of votes, proxies and mail ballots the motion carried by vote of 945 for and 168 against that Article VIII of the Cooperative's Articles of Incorporation hereafter read as follows:

ARTICLE VIII

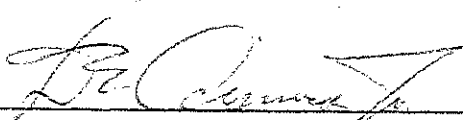
The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

- (a) property which in the judgment of the board of directors neither is nor will be necessary or useful in operating and maintaining the Cooperative's systems and facilities provided, however, that all sales of such property shall not in any one year exceed in value ten percentum (10%) of the value of all of the property of the Cooperative;
- (b) services of all kinds, including electric energy; and
- (c) personal property acquired for resale unless such sale, mortgage, lease, or other disposition or encumbrances is authorized at a meeting of the members by the affirmative vote of at least fifty one percentum (51%) of all the members of the Cooperative voting in person, and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meetings; provided, however, that notwithstanding anything herein contained, the board of directors, without authorization by the members, shall have full power and authority to borrow money and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidence of indebtedness and, to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the board of directors shall determine, provided, however, that so long as the Cooperative is indebted to the United States of America, or any agency thereof no encumbrance of the Cooperative's property shall be created without the consent of the United States of America or the applicable agency thereof.

There being no unfinished business and no new business, upon motion duly made, seconded and unanimously carried the meeting was adjourned.



CHAIRMAN



SECRETARY



OFFICE OF THE SECRETARY OF STATE

**CERTIFICATE OF AMENDMENT
OF**

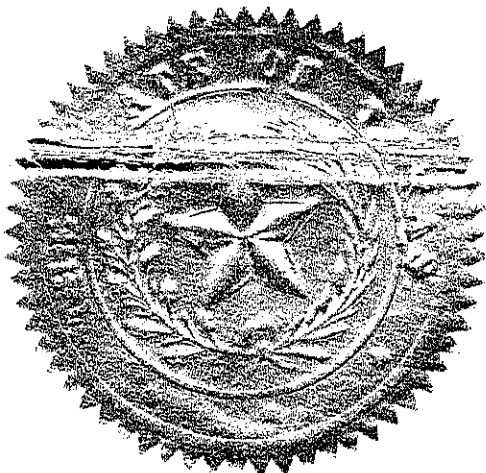
BANDERA ELECTRIC COOPERATIVE, INC.
CHARTER NO. 74217

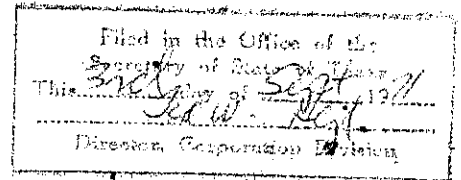
The undersigned, as Secretary of State of the State of Texas, hereby certifies that duplicate originals of Articles of Amendment to the Articles of Incorporation of the above corporation duly signed and verified pursuant to the provisions of the Texas Non-Profit Corporation Act, and Article 1528b, V. A. C. S. of Texas have been received in this office and are found to conform to law.

ACCORDINGLY the undersigned, as such Secretary of State, and by virtue of the authority vested in him by law, hereby issues this Certificate of Amendment to the Articles of Incorporation and attaches hereto a duplicate original of the Articles of Amendment.

Dated September 3, 1971.


Assistant Secretary of State





ARTICLES OF AMENDMENT TO THE ARTICLES
OF INCORPORATION OF BANDERA ELECTRIC
COOPERATIVE, INC.

Pursuant to the provisions of Article 1528b, Sec. 26, V.A.C.S., the undersigned Corporation adopts the following Articles of Amendment to its Articles of Incorporation:

I.

The name of the Corporation is BANDERA ELECTRIC COOPERATIVE, INC.

II.

The following Amendments to the Articles of Incorporation were adopted by members of the Corporation on the 14th day of August, 1971:

(1) Article IV of the Articles of Incorporation is hereby amended to read as follows:

ARTICLE IV

The number of directors of the Cooperative is nine. Directors shall be elected annually, or as otherwise provided in the by-laws, by the members.

(2) Article VIII of the Articles of Incorporation is hereby amended to read as follows:

ARTICLE VIII

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than:

(a) Property which in the judgment of the board of directors neither is nor will be necessary or useful in operating and maintaining the Cooperative's systems and facilities provided, however, that all sales of such property shall not in any one year exceed in value ten per centum (10%) of the value of all of the property of the Cooperative;

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

(c) Personal property acquired for resale, unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members by the affirmative vote of at least fifty-one per centum (51%) of all the members of the Cooperative

voting in person, and the notice of such proposed sale, mortgage, lease, or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of directors, without authorization by the members, shall have full power and authority to borrow money, and in connection with such borrowing, to authorize the making and issuance of bonds, notes, or other evidence of indebtedness, and, to secure the payment thereof, to authorize the execution and delivery of a mortgage, or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired, or to be acquired, and wherever situated, all upon such terms and conditions as the board of directors shall determine, provided, however, that so long as the Cooperative is indebted to the United States of America, or any agency thereof, no encumbrance of the Cooperative's property shall be created without the consent of the United States of America or the applicable agency thereof.

III.

The number of members of the Corporation at the time of such adoption was 5, 810; all of whom were entitled to vote thereon. The meeting at which such Amendments were adopted was attended by not less than five per cent (5%) of the members, either in person or by proxy. Such Amendments were approved by the affirmative vote of a majority of the members who were present in person or by proxy at the regular meeting of such members which was called for such purpose as provided in the by-laws of such Corporation.

SIGNED and DATED this 1st day of September, 1971.

BANDERA ELECTRIC COOPERATIVE, INC.

By A. J. Schmitt
President

ATTEST:

[Signature]
Secretary

THE STATE OF TEXAS
COUNTY OF BANDERA

I, the undersigned, a Notary Public in and for said County and State, do hereby certify that on this 1 day of September, 1971.

personally appeared before me A. H. Beckett, who, being by me first duly sworn, on his oath declared that he is President of the Corporation executing the foregoing document, and acknowledged that he signed the foregoing document in the capacity therein set forth, and declared that the statements contained therein are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year before written.

Charles L. Seal
NOTARY PUBLIC, in and for Bandera County,
T E X A S

I, D. E. Carroll Jr., do hereby certify that I am Secretary of Bandera Electric Cooperative, Inc., and that the above and foregoing Amendments were lawfully adopted by the affirmative vote of a majority of the members of the Cooperative present in person or by proxy at its regular meeting called for that purpose and in the manner as provided by the by-laws; that at such meeting, not less than five per cent (5%) of the members attended either in person or by proxy.

TO CERTIFY WHICH, witness my hand and seal of the Corporation, this 1 day of Sept, 1971.

D. E. Carroll Jr.
Secretary of Bandera Electric Cooperative, Inc.

June 2, 1999

The manager explained that the AWC Board feels it is in the best interest of the AWC membership to support LCRA's position on this issue at the present time, because LCRA normally sells excess energy wholesale and the proceeds help maintain lower rates to all of its wholesale customers. Also, the wholesale contract, common to all wholesale customers, will be an issue in the suit. However, he said if the court were to uphold ETG's agreement with the City of Georgetown and the latter's right to sell LCRA power to ETG under the agreement, it may be in the best interest of the AWC members to consider future proposals of this nature.

* Chairman Word entertained the board's preference on restatement of the Cooperative's Articles of Incorporation. Following an explanation by the manager (Exhibit I) and discussion by the board, a motion was made by Director Callahan not to restate the Articles of Incorporation, but to attach the amendments leaving the names of the original signatories intact. The motion received a second by Director Bergmann and was unanimously approved.

Upon request of the chairman, the general manager distributed copies of the Legislative Watch dated June 1, 1999 concerning Senate Bill 7. After discussion, it was the consensus of the board that information on SB-7, soon to be published in the Texas Co-op Power, should be sufficient information at this time for our members regarding the subject.

At the request of Chairman Word, the administrative assistant was asked to give an update on Y2K activities. Mr. Waid informed the board that the Cooperative had responded to six inquiries relating to our Y2K preparedness during the month of May and present projections indicate that we will complete the Y2K conversion of our computer system in September of 1999. (Exhibit J)

At the chairman's request, the general manager reported on the progress of turtle meter installations and presented the board with copies of a turtle meter update provided by Patricia Renton, Billing Supervisor. (Exhibit K)

ARTICLES OF INCORPORATION

Preferably the Articles of Incorporation should be restated. The main purpose for doing this is for simplification and to eliminate confusion. However, in order to restate the Articles, one must follow rules set forth in the Non-Profit Corporation Act. These rules state that when restating Articles of Incorporation, the current board of directors must be listed in place of the original signatures. This action does not require membership approval.

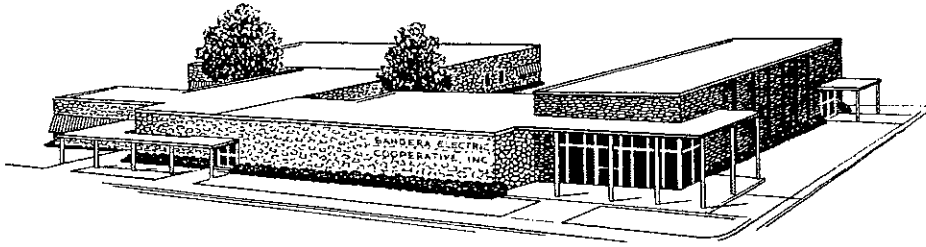
Otherwise, you can retain the original Articles and keep tacking on the amendments.

Remember, it would be better to restate the Articles, but you will be removing the names of those individuals who were so involved in the birth of Bandera Electric Cooperative, Inc.

BANDERA ELECTRIC COOPERATIVE, INC.

P. O. BOX 667

BANDERA, TEXAS 78003



July 19, 1999

To: Mr. Terry McDonald, Attorney
McGinnis, Lochridge and Kilgore, L.L.P.
1300 Capitol Center
919 Congress Avenue
Austin, Texas 78701

Subject: Articles of Amendment

We are returning the above with signatures.

Terry, thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read 'J. R. Vander Zee'.

J. R. Vander Zee
CEO/General Manager

jrv/b

Enclosure

LAW OFFICES
MCGINNIS, LOCHRIDGE & KILGORE, L.L.P.

HOUSTON, TEXAS OFFICE
3200 ONE HOUSTON CENTER
1221 MCKINNEY STREET
HOUSTON, TEXAS 77010
(713) 615-8500
FAX (713) 615-8585

1300 CAPITOL CENTER
919 CONGRESS AVENUE
AUSTIN, TEXAS 78701

AUSTIN, TEXAS OFFICE
(512) 495-6000
FAX (512) 495-6093

WRITER'S DIRECT DIAL NUMBER:

(512) 495-6019
tmcdonald@mcginnislaw.com

June 21, 1999

Mr. Russ Vander Zee, General Manager
Bandera Electric Cooperative, Inc.
P.O. Box 667
Bandera, Texas 78003

VIA OVERNIGHT DELIVERY

Re: Amendment of the Articles of Incorporation of Bandera Electric Cooperative, Inc.

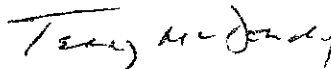
Dear Mr. Vander Zee:

Attached for the signature of the President of Bandera Electric Cooperative, Inc. (the "Cooperative") is the Articles of Amendment we have prepared amending the Cooperative's Articles of Incorporation, as recently approved by the Members of the Cooperative.

Please return the original signed and notarized Articles of Amendment to me and I will see that it is properly filed with the office of the Secretary of the State of Texas and will provide you will a file-stamped copy for your records.

Please contact me if you have any questions or comments regarding the enclosed.

Sincerely,



Terry McDonald

DTM
Enclosure

LAW OFFICES
McGINNIS, LOCHRIDGE & KILGORE, L.L.P.

HOUSTON, TEXAS OFFICE
3200 ONE HOUSTON CENTER
1221 MCKINNEY STREET
HOUSTON, TEXAS 77010
(713) 615-8500
FAX (713) 615-8585

1300 CAPITOL CENTER
919 CONGRESS AVENUE
AUSTIN, TEXAS 78701

AUSTIN, TEXAS OFFICE
(512) 495-6000
FAX (512) 495-6093

WRITER'S DIRECT DIAL NUMBER:

(512) 495-6019
tmcdonald@mcginnislaw.com

July 22, 1999

Mr. Russ Vander Zee
CEO/General Manager
Bandera Electric Cooperative, Inc.
P.O. Box 667
Bandera, Texas 78003-0667

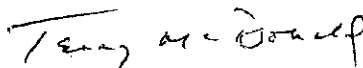
Re: Articles of Amendment
Bandera Electric Cooperative, Inc.
File No. 74217-01

Dear Russ:

Enclosed please find the Certificate of Amendment issued by the Secretary of State in the above referenced matter.

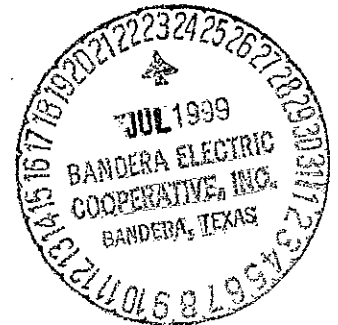
It was a pleasure working with you on this matter. Don't hesitate to contact me or Campbell if we can be of any further assistance to you.

Sincerely,



Terry McDonald

DTM:prd
Enclosure (Original)





The State of Texas

SECRETARY OF STATE

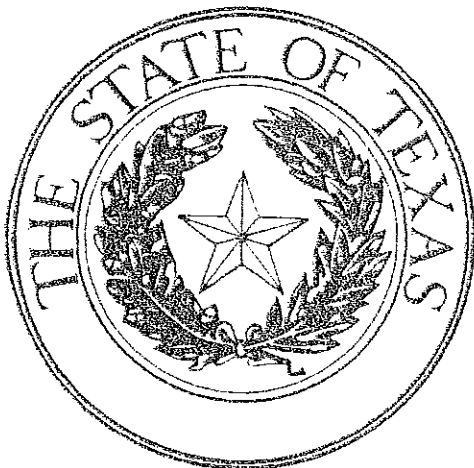
CERTIFICATE OF AMENDMENT OF

BANDERA ELECTRIC COOPERATIVE, INC.
FILE NO. 74217-01

The undersigned, as Secretary of State of Texas, hereby certifies that Articles of Amendment for the above corporation, duly signed and attested pursuant to the provisions of the Texas Electric Cooperative Corporation Act, have been received in this office and are found to conform to law.

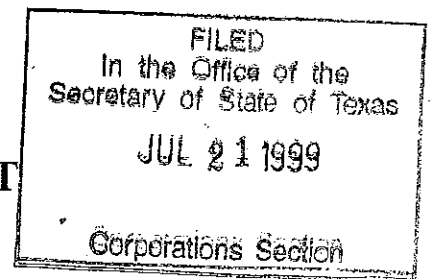
ACCORDINGLY, the undersigned, as such Secretary of State, and by virtue of the authority vested in the Secretary by law, hereby issues this Certificate of Amendment and attaches hereto a copy of the Articles of Amendment.

Dated: July 21, 1999



DLU

Elton Bomer
Secretary of State



ARTICLES OF AMENDMENT

Pursuant to the provisions of Section 161.151 of the Texas Electric Cooperative Corporation Act, the undersigned electric cooperative adopts the following articles of amendment:

1. The name of the cooperative is: **Bandera Electric Cooperative, Inc.**
2. The following amendments to the articles of incorporation were adopted by the members on: **May 8, 1999.**

Article II is amended to read in its entirety as follows:

ARTICLE II

The purposes for which the Corporation is organized are:

1. to engage in the business of rural electrification by generating, transmitting, furnishing and selling electric power and energy pursuant to the provisions of the Electric Cooperative Corporation Act of the State of Texas; and
2. to engage in any and all business which may be authorized now or in the future by the Electric Cooperative Corporation Act of the State of Texas and any other law affecting or pertaining to electric cooperatives, including the providing of electric energy and electric utility service as may be authorized pursuant to the provisions of the Public Utility Regulatory Act of the State of Texas; and
3. to do any and everything necessary, proper, advisable, or convenient for the accomplishment or furtherance of such purposes.

Article XI is added to the articles of incorporation as follows:

ARTICLE XI

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

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

3. These amendments were adopted in the following manner:

The amendments were adopted by a majority vote of the members at a meeting held May 8, 1999, at which a quorum was present, in accordance with the requirements of the Electric Cooperative Corporation Act and the Articles of Incorporation of the Cooperative.

Bandera Electric Cooperative, Inc.

by: Jerry N. Word Sr
Jerry N. Word, Sr., President

ATTEST:

By: Lee E. Boulden
Lee E. Boulden, Secretary

STATE OF TEXAS

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COUNTY OF BANDERA

This instrument was acknowledged before me on this 7th day of July, 1999 by Jerry N. Word, Sr., President of Bandera Electric Cooperative, Inc., a Texas electric cooperative corporation, on behalf of said electric cooperative.

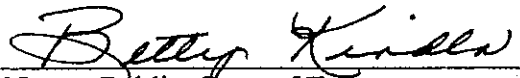
Betty Kinsela
Notary Public, State of Texas

STATE OF TEXAS

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COUNTY OF BANDERA

This instrument was acknowledged before me on this 7th day of July, 1999 by Lee E. Boulden, Secretary of Bandera Electric Cooperative, Inc., a Texas electric cooperative corporation, on behalf of said electric cooperative.



Notary Public, State of Texas

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Bandera Electric Cooperative, Inc.

by: Jerry N. Word Sr
Jerry N. Word, Sr., President

ATTEST:

By: Lee E. Boulden
Lee E. Boulden, Secretary

STATE OF TEXAS

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COUNTY OF BANDERA

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Betty Kinsel
Notary Public, State of Texas

STATE OF TEXAS

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COUNTY OF BANDERA

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Betty Kessler
Notary Public, State of Texas