

BYLAWS

**BLUEBONNET ELECTRIC COOPERATIVE,
INC.
BASTROP, TEXAS**

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BLUEBONNET ELECTRIC COOPERATIVE, INC.

BYLAWS

ARTICLE I

Members

Section 1. Qualifications and Obligations. Any person, firm, corporation, or body politic may become a member in the Cooperative by:

(a) agreeing to purchase from the Cooperative electric energy as hereinafter specified; and

(b) agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative and these Bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors. No person, firm, corporation or body politic may own more than one (1) membership in the Cooperative.

(c) Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to him or other members or for the construction, operation, maintenance or relocation of the Cooperative's electric facilities. Each member shall participate in any required program and comply with related rates and service rules and regulations that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

A husband and wife may jointly become a member and their application for

joint membership may be accepted in accordance with the foregoing provision of this section provided the husband and wife comply jointly with the provision of the above subdivisions (a), (b), and (c).

Section 2. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all Central Station electric energy used on the premises specified in his application for membership, except as permitted by any appropriate regulatory agency having jurisdiction, and shall pay therefor monthly at rates 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. 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 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 him to the Cooperative as and when the same shall become due and payable. All rates so set by the Board of Directors shall be in compliance with regulatory agencies.

Section 3. Non-liability for Debts of the Cooperative. The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

Section 4. Expulsion of Members. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or

these Bylaws or any rules or regulations adopted from time to time by the Board of Directors. Any member so expelled may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

Section 5. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe. The membership fee may be refunded to the member withdrawing from membership, upon payment of all his debts and liabilities to the Cooperative.

Section 6. Transfer and Termination of Membership.

(a) Membership in the Cooperative and the certificate representing same shall not be transferable, except as hereinafter otherwise provided. Upon the death, cessation of existence, expulsion or withdrawal of a member the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Cooperative.

(b) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by such husband and wife jointly with the provision of subdivisions (b) and (c) of Section 1 of this Article. Such transfer shall be made and recorded on the books of the Cooperative.

(c) When a membership is held jointly by a husband and wife, upon the death of either such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be. The estate of the deceased shall

not be released from any and all debts or liabilities to the Cooperative.

Section 7. Removal of Directors by Members. Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charges in writing together with a petition signed by not less than ten (10%) percent of the total membership of the Cooperative, which petition calls for a special member meeting, the stated purpose of which shall be to hear and act on such charges, and specifies the place, time and date thereof not less than forty (40) days after filing of such petition, or which requests that the matter be acted upon at the subsequent annual member meeting if such meeting will be held no sooner than forty (40) days after the filing of such petition. Each page of the petition shall, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s) and the name(s) of the director(s) against whom such charge(s) is(are) being made. The petition shall be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Notice of such charge(s) verbatim, of the director(s) against whom the charge(s) has (have) been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than ten (10) days prior to the member meeting at which the matter will be acted upon; PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the same director(s). Such director(s) shall be informed in writing of the charges after they have been validly filed and at least thirty (30) days prior to the meeting of the members at which the charge(s) is (are) to be considered, and shall have an opportunity at the

meeting to be heard in person by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled as provided by these Bylaws. The question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise.

Section 8. Consumers on Lines Purchased. Any consumer who is receiving electrical energy from any line or lines which are purchased or have been purchased or may hereafter be purchased by the Bluebonnet Electric Cooperative, Inc., shall automatically, upon consummation of the purchase of said line or lines, become a member of the Cooperative.

ARTICLE II

Meetings of Members

Section 1. Annual Meeting. The annual meeting of the members shall be held on the second Tuesday in May of each year, such meeting to be held at the building of the Bluebonnet Electric Cooperative, Inc., in Bastrop, Bastrop County, Texas, or any other place designated by the Board of Directors that is located in some county in the area served by the Cooperative, but if such meeting is held in any place other than the Cooperative Building in Bastrop, Texas, such other place must be designated by the Board of Directors at some meeting prior to the mailing out of notices to members. Said annual meeting shall be held for the purpose of electing directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before

the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting may be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be called. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings. Special meetings of the members may be called by the President, the Board of Directors, or a majority thereof or upon a written request signed by at least ten per centum (10%) of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place where an annual meeting can be held, the place to be selected in the same manner as provided for an annual meeting, such place to be specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings. Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than ten (10) days nor more than thirty (30) days prior to the date of the meeting, either personally or by mail, by or at the direction of the President or the Secretary. Any such notice delivered by mail may be included with member service billings or as an integral part of or with the Cooperative's monthly newsletter and/or its monthly insert. No matter that requires the affirmative votes of at least a majority of all the Cooperative's members shall be acted upon at any meeting of the members unless notice of such matter shall have been contained in the notice of 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 and postmarked at least ten (10) days prior to the meeting date. In making such computation, the date of the meeting shall not be counted. The incidental and nonintended failure of any member to receive a notice deposited in the mail addressed to the member at his address as shown on the Cooperative's books shall not invalidate any action which may be taken by the members at any such meeting, and the attendance in person of a member at any meeting of the members shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened. Any member attending any meeting for the purpose of making such objection shall notify the Secretary prior to or at the beginning of the meeting of his objection.

Section 4. Quorum. 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.

Section 5. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon in person or by proxy, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these Bylaws. If a husband and wife hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. Members may not cumulate their votes.

Members may not vote by mail except in matters of deregulation as provided for in Senate Bill 373.

Section 6A. Proxies. At any meeting of the members, any member may vote by proxy, but only if such proxy (a) is registered with the Cooperative at its principal office before 5:00 p.m. on the fifth business day next preceding the date of the member meeting, (b) is executed by the member in writing and designates the holder thereof who is a natural person or the Proxy Committee to cast his vote; (c) specifies the particular meeting at which it is to be voted, and (d) is dated not more than ninety (90) days prior to the date of such meeting; PROVIDED, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactory evidence. Memberships in the name of non-natural members may be voted by person duly authorized by the member, either in person or by proxy and shall be bound by all provisions regarding proxies as stated in this Section.

Proxies may be solicited on behalf of the Proxy Committee of the Cooperative, and the entire cost of solicitation shall be borne by the Cooperative. The Cooperative may use its officers and employees to solicit proxies from the members either personally or by telephone or by mail.

A Proxy may be unlimited as to the matters on which it is voted or it may be restricted. A proxy containing no restrictions shall be deemed unlimited.

In the event a member executes two or more proxies for the same meeting, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting shall revoke any proxy theretofore executed by him for such meeting and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy. Notwithstanding the foregoing provisions of this Section, whenever a

member is absent from a meeting but whose spouse attends such meeting, such spouse shall be deemed to hold and may exercise and vote the proxy of such member to the same extent that such member could vote if present in person, unless such member has given a written proxy to some other person eligible to vote such proxy.

Section 6B. Proxy Committee. The Proxy Committee of the Cooperative shall consist of its directors whose term is not up for election. It shall be the duty of the Committee to meet prior to any member meeting for which the Committee holds proxies to determine how such unlimited proxy votes will be cast. The unlimited proxy votes held by the Proxy Committee shall be cast as determined by a majority vote of the Proxy Committee. In the event that the Proxy Committee vote ends in a tie, the proxy votes shall be cast proportionately with the vote of the Proxy Committee.

The Proxy Committee shall designate one of its membership to vote on all issues that come up from the floor, except nominations from the floor for director.

Section 7. Order of Business. The order of business at the annual meeting of the members, shall be essentially as follows:

1. Call of the roll.
2. Reading of the notice of the meeting and proof of the due publication of 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, and acting upon, reports of officers, directors and committees.

5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournments.

Notwithstanding the foregoing, the Board of Directors or the members themselves may from time to time establish a different order of business for the purpose of assuring the earlier consideration of and action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business.

ARTICLE III

Directors

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of not more than eleven (11) directors which shall exercise all of the powers of the Cooperative, except as such are by law or by the Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the members.

The Board may appoint Advisory Directors from time to time as may be deemed by the Board beneficial to the Cooperative, said appointment shall be for a term not to exceed one (1) year, with all Advisory Director terms to expire at 8:00 a.m. on the day of the Annual Meeting of the Membership of the Cooperative. Qualifications, compensation and benefits for Advisory Directors shall be set by the Board from time to time as may be in the best interest of the Cooperative.

Section 2. Qualification and Tenure: At each annual meeting of the members, directors shall be elected by ballot, by and from the members to serve for the term elected or until their successors shall have been elected and shall have qualified, subject to the provisions of these Bylaws with respect to removal of directors. Directors shall be elected to staggered terms of three (3) years, each, to succeed the directors whose term shall at that time expire.

No member shall be eligible to become a director of the Cooperative who:

1. is not a legal resident of a county that is served totally or partially by the Cooperative. The member need not be a resident of the portion of the county served by the Cooperative.
2. is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy or electric supplies to the Cooperative, or a business primarily engaged in selling electrical appliances, fixtures or electric supplies to the members of the Cooperative.
3. is the incumbent of or candidate for an elective public office in connection with which a salary is paid.
4. is an employee of the Cooperative, or any of its subsidiaries or affiliates.

When a membership is held jointly by a husband and wife, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director unless both shall meet the qualifications hereinabove set forth. Nothing in this section contained, shall or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 3. Nominations. It shall be the duty of the Board of Directors at the regular meeting in October of each year to appoint a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative.

No officer or member of the Board of Directors or their immediate family as defined in Board Policy 203.20.C shall be appointed a member of such committee.

The committee shall meet, immediately, and elect their presiding officer and a secretary. It shall set a meeting date in January to interview and select nominees. This date shall be publicized in the December and January *Texas Co-op Power* magazine.

At said meeting, they shall interview prospective candidates for Board vacancies that will be filled at the next annual meeting and select at least one, but not more than three candidates for each Board vacancy. The Committee shall report its nominations to the membership by causing them to be published in the March and April *Texas Co-op Power* magazine and/or by direct mailing to the membership.

A member may also be nominated by petition signed by 50 members of the Cooperative. Said petition must be filed in the General Manager's Office in Bastrop, Texas not less than ninety (90) days prior to the members' meeting and the General Manager shall cause the names of those nominated by petition to be published in the same manner as the nominees by the Committee.

The Secretary of the Cooperative shall mail with the notice of the annual meeting a statement of the number of directors to be elected, showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. Nothing contained herein shall, however, prevent additional nominations to be made from the floor at the meeting of the members.

Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

Section 3-a. In electing directors to the Board of the Bluebonnet Electric Cooperative, Inc., the number of directors to be elected to the Board from any one county shall never exceed two (2) in number, provided that if the method of electing directors should be changed from its present method, then nevertheless, no county shall at any time have more than two (2) members on the Board of Directors of the Cooperative.

Section 3-b. Only such persons as have been duly nominated under this Constitution and Bylaws can be voted upon for the office of director. If there are four (4) vacancies to be filled, the four (4) candidates receiving the highest number of votes shall be elected without runoff. In the event more persons have been nominated from a county than there are places to be filled for the office of director in such county, all candidates from that county whose vote tally is below the tally of the number of candidates necessary to fill that County's quota of two (2) directors shall not be elected, but passed over to the next highest candidates who do not exceed a county's quota of not more than two (2) directors. If for any reason an election of directors shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at an adjournment of such meeting or at a subsequently held special or next annual meeting of the members. Failure of an election for a given year shall allow the incumbents whose directorships would have been voted on to hold over only until the next member meeting at which a quorum is present.

Section 4. Vacancies. Vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors and directors thus elected shall serve out the unexpired term and until their successors shall have been elected and shall have qualified.

Section 5. Compensation. Directors and Advisory Directors, as such, shall not receive any salary for their services, but by resolution of the Board of

Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors, and all other meetings that the Board of Directors deems important and of beneficial interest to have its Directors and Advisory Directors attend. No directors shall receive compensation for serving the Cooperative in any other capacity, however, Directors shall be provided accident and medical insurance as approved by the Board of Directors.

Section 6. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with the law, the Articles of Incorporation of the Cooperative or by these Bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

Section 7. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system, which among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the National Rural Utilities Cooperative Finance Corporation (CFC). The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A condensed audit report shall be submitted to the members at the following annual meeting.

Section 8. Indemnification of Officers and Directors, Employees and Agents.

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

Subsection B. Power to Purchase Insurance. The Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such

capacity, or arising out of his status as such, whether or not the Cooperative would have the power to indemnify him against such liability under the provision of this Article.

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

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

ARTICLE IV

Meetings of Directors

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this Bylaw immediately after the Annual Meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at the building of the Cooperative in Bastrop, Bastrop

County, Texas, or at such other place as may be designated by the Board at such time as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Bastrop, Bastrop County, Texas, at the building of the Cooperative or at such other place as may be designated by the Board) for the holding of any special meeting of the Board of Directors called by them. Special meetings, upon proper notice as otherwise provided in Section 3 below, may also be held via telephone conference call, without regard to the actual location of the directors at the time of such a telephone conference meeting.

Section 3. Notice. Notice of the time, place, telephone conference call and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from

time to time without further notice.

Section 5. Manner of Acting. 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 unless otherwise specified in these Bylaws.

ARTICLE V

Officers

Section 1. Number. The officers of the Cooperative shall be a President and Chairman of the Board, Vice President and Vice Chairman of the Board, Secretary/Treasurer, Assistant Secretary/Treasurer and such other officers as may be determined by the Board of Directors from time to time.

Section 2. Election and Term of Office. The four officers named in Section 1 above shall be elected separately in the order listed above by secret written ballot, annually and without prior nomination, by and from the Board of Directors at the first meeting of the Board held after the annual meeting of the members. If the election of such officers shall not be held at such meeting, it shall be held as soon thereafter as conveniently may be. Each such officer shall hold office until the meeting of the Board first held after the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of the Bylaws with respect to the removal of directors and to the removal of officers by the Board of Directors. Any other officers may be elected by the Board from among such persons, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable. Counsel shall be responsible for tabulating votes.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its

judgment the best interests of the Cooperative will be served thereby.

Section 4. Vacancies. Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President. The President:

- a) shall be the principal executive officer of the Cooperative and he, or his designated representative, shall preside at all meetings of the members and of the Board of Directors;
- b) shall sign, or cause to be signed or stamped with the Secretary, certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and shall 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 shall perform all duties incidental to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice-President. The Vice-President, in the absence of the President, or in the event of his inability or refusal to act, shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 7. Secretary/Treasurer. The Secretary/Treasurer shall:

- (a) keep the minutes of the members and the Board of Directors in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these Bylaws or

as required by law;

- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
- (e) sign or cause to be signed or stamped with the President certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors;
- (f) have a general charge of the books of the Cooperative in which a record of the members is kept;
- (g) keep on file at all times a complete copy of the Cooperative Bylaws containing all amendments thereto, which copy shall always be open for the inspection of any Cooperative member. Cooperative members requesting copies of the Bylaws may obtain same by paying the actual cost incurred by the Cooperative in complying with such request.
- (h) in general perform all duties incidental to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.
- (i) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (j) receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and
- (k) in general perform all the duties incidental to the office of Treasurer and such other duties as from time to time may have been assigned to him by the Board of Directors.

Section 8. Assistant Secretary/Treasurer. The Assistant Secretary/Treasurer, in the absence of the Secretary/Treasurer, or in the event of his inability or refusal to act, shall perform the duties of the Secretary/Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary/Treasurer and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 9. Delegation of Secretary/Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary/Treasurer hereinbefore provided in Sections 7 and 8, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of such officer's duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

Section 10. General Manager and Chief Executive Officer. The Board of Directors may appoint a General Manager and Chief Executive Officer who may be, but who shall not be required to be a member of the Cooperative. The General Manager and Chief Executive Officer shall perform such duties as the Board of Directors may from time to time vest in him.

Section 11. Bonds of Officers. The Board of Directors shall require the Treasurer or any other officer of the Cooperative charged with responsibility for custody of any of its funds or property, to give bond in such sum with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the

Cooperative to give bond in such amount and with such surety as it shall determine.

Section 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI

Contracts, Checks and Deposits

Section 1. Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and in 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 by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits; Investments. All funds of the Cooperative shall be deposited or invested from time to time to the credit of the Cooperative in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

ARTICLE VII

Membership Certificates

Section 1. Certificates of Membership. Membership in the

Cooperative shall be evidenced by a Certificate of Membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these Bylaws. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the Corporate Seal shall be affixed thereto; PROVIDED, that the seal and signatures of the President and the Secretary may be imprinted thereon by facsimile.

Section 2. Issue of Membership Certificates. No membership certificate shall be issued until any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

ARTICLE VIII Nonprofit Operation

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

Section 2. Patronage Capital in Connection with Furnishing Electric Energy. In 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 nonprofit basis the Cooperative is obligated to account on a patronage basis to all its patrons, members and nonmembers alike, for all amounts received and receivable from and directly related to the furnishing of electric energy in excess of costs

and expenses properly chargeable against the furnishing of electric energy, hereinafter referred to as margins. All such margins from and directly related to the furnishing of electric energy 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 margins from and directly related to the furnishing of electric energy. 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 an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year, but no later than eight and one-half months, notify each patron of the amount of capital so credited to his account. PROVIDED, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative notifies all patrons of how each patron may compute and determine for himself the specific amount of capital so credited to him. All such amounts credited to the 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.

Notwithstanding any provision in Article VIII, the margins from and directly related to the furnishing of electric energy, which are required to be allocated to the patrons on the basis of patronage, shall be the greater of regular federal taxable income or alternative minimum taxable income as determined before the exclusion for allocations of patronage capital under federal law. The Board of Directors, however, does have the authority to adopt a reasonable alternative in lieu of the greater of regular federal taxable income or alternative minimum taxable income.

If the costs and expenses exceed the amounts received and receivable from and directly related to the furnishing of electric energy, hereinafter referred to as "loss", then the Board of Directors shall have the authority to prescribe a fair and equitable manner in which such loss shall be handled, including but not limited to, (1) the cancellation of prior year capital credits of the loss year patrons, (2) the carrying forward of the loss to offset future allocations to patrons of the margins from and directly related to the furnishing of electric energy, and/or (3) the offsetting of the loss against unallocated non-operating or other unallocated reserves. The cancellation of prior year capital credits will be done in the order of priority against capital first received by the Cooperative from those patrons who were active patrons of the Cooperative in the year of the loss. Losses subject to this paragraph will be determined in the same manner and method that capital credits are calculated and allocated to members as provided above with respect to the pre-existing obligation to allocate patronage capital.

All other amounts received and receivable by the Cooperative other than from and directly related to the furnishing of electric energy in excess of costs and expenses may, in the discretion of the Board and insofar as permitted by law, be (a) notwithstanding any other provision of this Article VIII, used to offset any losses incurred during the current or any prior fiscal year, (b) used to establish reserves and other capital not assignable to the patrons prior to the dissolution of the Cooperative, and (c) to the extent not needed for these purposes, 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 have been paid, outstanding capital credits shall be

retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The Board shall determine the method, basis, priority, and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital. Notwithstanding any other provision of these by-laws, the method, basis, priority, and order of retirement, if any, considered by the Board may, but is not required to, include the retirement of amounts furnished as capital at a discount.

No capital may be retired unless, after the proposed retirement, the Cooperative is compliant with the terms of any mortgage agreement, including but not limited to the National Rural Utilities Cooperative Finance Corporation (CFC) loan agreement.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise. Patrons at any time may assign their capital credits back to the Cooperative, and the Board of Directors is authorized, but not required, to negotiate capital credit settlement arrangements with bankrupt patrons, estates of deceased natural persons and/or inactive patrons.

Notwithstanding any other provisions of these Bylaws, the Board of Directors, at its sole discretion, shall have the power to negotiate capital credit settlement arrangements with estates of deceased natural persons and/or inactive patrons for the retirement of such capital prior to the time it would otherwise be retired under the provisions of these

Bylaws. However, such settlements are solely at the discretion of the Board of Directors, must be requested in writing by the legal representatives of the inactive patron or of the estate of the deceased natural person, must be in accordance with the terms and conditions that the Board of Directors and the legal representatives of such patrons shall agree upon, and is prohibited if the financial condition of the Cooperative is impaired thereby.

The Cooperative shall have the right to offset the retirement approved by the Board of Directors for a patron against the debt owed to the Cooperative by such patron. The Cooperative, before retiring any capital credit of any patron's account, shall deduct from the retirement of capital credits any amount owed by such patron to the Cooperative. This provision shall apply to all retirements of capital credits.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this Article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

All persons to whom capital credits have been allocated shall keep the Cooperative informed of their current mailing addresses in order that the Cooperative may retire or refund capital credits, membership fees, deposits and any other amounts to such persons in accordance with the Bylaws.

ARTICLE IX

Waiver of Notice

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

ARTICLE X

Disposition and Pledging of Property;

Distribution of Surplus Assets on Dissolution

Section I. Disposition and Pledging of Property.

(a) Not inconsistently with subsection (b) hereof, the members of the Cooperative may, at a duly held meeting of the members, authorize the sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's property and assets by the affirmative votes of a majority of the total members of the Cooperative. However, the Board of Directors, without authorization by the members, shall have full power and authority (1) to borrow moneys from any source and in such amounts as the Board may from time to time determine, (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's property or assets as security therefor, and (3) to sell, lease, lease-sell, exchange, transfer or otherwise dispose of merchandise, property no longer necessary or useful for the operation of the Cooperative, or less than a substantial portion of the Cooperative's property and assets. "Substantial portion" means ten (10%) percent or more of the Cooperative's total assets as reflected on its books at the time of the transaction.

(b) Supplementary to the first sentence of the foregoing subsection (a) and any other applicable provisions of law or these Bylaws, no sale, lease, lease-sale, exchange, transfer or other disposition of all or a substantial portion of the Cooperative's property and assets shall be authorized except in conformity with

the following:

(1) If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange, transfer or other disposition, it shall first cause three (3) independent, non-affiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a District Court Resident Judge for the Judicial District in Texas in which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the Board of Directors.

(2) If the Board of Directors, after receiving such appraisals (and other terms and conditions which are submitted, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every other rural electric cooperative corporations corporately sited and operating in Texas (which has not made such an offer for such sale, lease, lease-sale, exchange, transfer or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such rural electric cooperative corporations, which notice shall be attached to a copy of the proposal which the Cooperative has already received and copies of the respective reports of the three (3) appraisers. Such rural electric cooperative corporations shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

(3) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members not less than sixty (60) days

before noticing a special meeting of the members thereon or, if such be the case, the next annual member meeting, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof and action thereon, which meeting shall be held not less than thirty (30) days after the giving of notice thereof to the members: PROVIDED, that consideration and action by the members may be given at the next annual member meeting if the Board so determines and if such annual meeting is held not less than sixty (60) days after the giving of notice of such meeting.

(4) Any fifty (50) or more members, by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

The provisions of this subsection (b) shall not apply to a sale, lease, lease-sale, exchange, transfer or other disposition to one or more other rural electric cooperatives if the substantive effect thereof is to merge with such other one or more rural electric cooperative corporations or the actual legal effect thereof is to consolidate with such other one or more rural electric cooperative corporations.

Section 2. Distribution of Surplus Assets on Dissolution. Upon the Cooperative's dissolution, any assets remaining after (a) all liabilities or obligations of the Cooperative have been satisfied and discharged and (b) after all capital credits furnished through patronage shall have been paid without priority on a pro rata basis as provided for in Article VIII of these Bylaws shall be distributed among the members and former members, to the extent practicable as determined by the Board of Directors, in proportion

which the aggregate patronage of each bears to the total patronage of all members and former members; PROVIDED, HOWEVER, that if in the judgment of the Board the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation. Provided further that the actual and necessary costs incurred by the Cooperative in complying with the provisions of said Article VIII of these By-laws may be treated as debts and liabilities of the Cooperative and shall be subtracted before any distribution is made.

ARTICLE XI

Fiscal Year

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

ARTICLE XII

Membership in Other Organizations

The Cooperative shall not become a member of any other organization without an affirmative vote of the members at a meeting called, as prescribed in these Bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business except that the Cooperative may, by an affirmative vote of the Board of Directors, become a member of any state or national association of rural electric cooperatives organized to promote the general welfare of rural electric cooperatives or to join any association that would benefit the Cooperative by providing goods or services at a lesser cost to the Cooperative than it could receive elsewhere from

normal sources. The Cooperative may also, by an affirmative vote of the Board of Directors become a member of the National Rural Utilities Cooperative Finance Corporation (CFC) without requiring membership approval.

ARTICLE XIII

Rules of Order

Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the members or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

ARTICLE XIV

Seal

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

ARTICLE XV

Amendments

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