

**BYLAWS
OF
BIG COUNTRY ELECTRIC COOPERATIVE, INC.**

ARTICLE 1 MEMBERSHIP

SECTION 1.01. Eligibility. Any natural person, firm, association, corporation, business trust, partnership, Federal agency, State or political subdivision thereof, or any body politic (each hereinafter referred to as "person", "applicant", "him" or "his") shall be eligible to become a member of, and at one or more premises owned or directly occupied or used by him, to receive electric service from, Big Country Electric Cooperative, Inc. (hereinafter called the 'Cooperative'). No person shall hold more than one membership in the Cooperative.

SECTION 1.02. Application for Membership; Renewal of Prior Application. Application for membership -- wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of the other provisions of the Cooperatives Articles of Incorporation and Bylaws, and all rules, regulations, rate schedules and tariffs established pursuant thereto, as all the same then exist or may thereafter be duly adopted or amended (the obligations embraced by such agreement being hereinafter called 'membership obligations') -- shall be made in writing on such form as is provided therefor by the Cooperative. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, if any) shall be refunded in the event the application is by Board resolution denied. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the Texas legal rate on judgments in effect when such account first became overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

SECTION 1.03. Membership Fee; Service Security and Facilities Extension Deposits; Contribution In Aid of Construction. The membership fee shall be as fixed from time to time by the Board of Directors. The membership fee (together with any service security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid of construction or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection deposit or fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit or a contribution in aid of construction or any combination thereof, if required by the Cooperative), shall be paid by the member for each additional service connection requested by him.

SECTION 1.04. Joint Membership. A husband and wife, by specifically so requesting in writing, may be accepted into joint membership or, if one of them is already a member, may automatically convert such membership into a joint membership. The words "member", "applicant", "person", "his" and "him", as used in these Bylaws, shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing -- (a) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting; (b) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice; (c) suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership; (d) either, but not both concurrently, shall be eligible to serve as a

director of the Cooperative, but only if both meet the qualifications required therefor; and, (e) neither will be permitted to have any additional service connections except through their one joint membership.

SECTION 1.05. *Acceptance into Membership.* Upon complying with the requirements set forth in Section 1.02, any applicant shall automatically become a member on the date of his connection for electric service, PROVIDED, that the Board of Directors may by resolution deny an application and refuse to extend service upon its determination that the applicant is not willing or is not able to satisfy and abide by the Cooperative's terms and conditions of membership or that such application should be denied for other good cause; PROVIDED FURTHER, that any person whose application, for sixty (60) days or longer, has been submitted to but not approved by the Board of Directors may, by filing written request therefor with the Cooperative at least thirty (30) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 1.06. *Purchase of Electric Power and Energy; Power Production by Member; Application of Payments to All Accounts.* The Cooperative shall make all reasonable efforts to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof, and such member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy purchased for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Directors may in writing waive such requirement, and shall pay therefor at the times, and in accordance with the rules, regulations, rate schedules and tariffs (including any monthly minimum amount that may be charged without regard to the amount of electric power and energy actually used) established by the Board of Directors and, if in effect, in accordance with the provisions of any supplemental contract that may have been entered into as provided for in Section 1.02. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable. When the member has more than one service connection from the Cooperative, any payment by him for service from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to his outstanding accounts for all such service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect such allocation and proration.

SECTION 1.07. *Excess Payments to be Credited as Member-Furnished Capital.* All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article III of these Bylaws.

SECTION 1.08. *Wiring of Premises; Responsibility Therefor; Responsibility for Meter Tampering or Bypassing and for Damage to Cooperative Properties; Extent of Cooperative Responsibility; Indemnification.* Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the Texas Fire Insurance Underwriters Association, the National Electric Code, any applicable state code or local government ordinances, and of the Cooperative. Each member shall be responsible for--and shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting from any defect in or improper use or maintenance of--such premises and all wiring and apparatuses connected thereto or used thereon. Each member shall make available to the Cooperative a suitable site, as determined by the Cooperative, whereon to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent Contractors to have access thereto safely and without interference from hostile dogs or any other hostile source for meter reading, bill collecting and for inspection, maintenance, replacement, relocation, repair or disconnection of such facilities at all reasonable times. As part of the consideration of such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with impairing the operation of or causing damage to such facilities, and shall use his best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses or meter base as the

Cooperative shall from time to time require in order to protect the Cooperative's physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Cooperative and its employees, agents and independent contractors against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocation of any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Cooperative shall, however, in accordance with its applicable service rules, regulations and tariffs indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative's billing procedures. In no event shall the responsibility of the Cooperative for furnishing electric service extend beyond the point of delivery.

SECTION 1.09. *Member to Grant Easements to Cooperative and to Participate in Required Cooperative Load Management Program.* Each member shall, upon being requested to do so 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, if requested in writing, participate in any required program and comply with related rates and service rules, regulations and tariffs that may be established by the Cooperative to enhance load management, more efficiently to utilize or conserve electric energy or to conduct load research.

ARTICLE II MEMBERSHIP CERTIFICATES

SECTION 2.01. *Certificate of Membership.* Membership in the Cooperative shall be evidence 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 Cooperative's Articles of Incorporation or by its bylaws. Such certificate shall be signed by the President and by the Secretary, and the seal shall be affixed thereto: PROVIDED, that the Seal and signatures of the President and the Secretary may be imprinted thereon by facsimile.

SECTION 2.02. *Issue of Membership Certificates.* No membership certificate shall be issued for less than the membership fee fixed by the Board of Directors nor until such membership fee, any required service security deposits, facilities extension deposits, service connection fees, or contributions in aid of construction have been fully paid.

SECTION 2.03. *Lost Certificate.* In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE III MEMBERSHIP SUSPENSION AND TERMINATION

SECTION 3.01. *Suspension; Reinstatement.* Upon his failure, after the expiration of the initial time limit prescribed either in a specific notice to him or in the Cooperative's generally publicized applicable rules, regulations and tariffs, to pay any amounts due the Cooperative or to cease any other noncompliance with his membership obligations, a person's membership shall automatically be suspended; and he shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any additional charges required for such reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice or rules, regulations and tariffs shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

SECTION 3.02. Termination by Expulsion; Renewed Membership. Upon failure of a suspended member to be automatically reinstated to membership, as provided in Section 3.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which latter event such person's membership shall be reinstated retroactively to the date of his expulsion. After any finally effective expulsion of a member, he may not again become a member except upon new application therefore duly approved as provided in Section 1.05. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his membership obligations.

SECTION 3.03. Termination by Withdrawal or Resignation. A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either (a) ceasing to (or, with the approval of the Board of Directors, resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished electric service pursuant to his membership, or (b) except when the Board of Directors specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.

SECTION 3.04. Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners. Except as provided in Section 3.06, the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership: PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been held by different partners: PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

SECTION 3.05. Effect of Termination. Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee (and to his service security deposit, if any, theretofore paid the Cooperative), less any amounts due the Cooperative; but neither he nor his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative.

Notwithstanding the suspension or expulsion of a member, as provided for in Section 3.01 and 3.02, such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from his membership obligations as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service has theretofore been furnished by the Cooperative pursuant to such membership.

SECTION 3.06. Effect of Death, Legal Separation or Divorce upon a Joint Membership. Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the estate of the deceased spouse shall not be released from any debts due to the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint: PROVIDED, that the other spouse shall not be released from any debts due the Cooperative.

SECTION 3.07. Board Acknowledgment of Membership Termination; Acceptance of Members Retroactively. Upon the termination of a person's membership for any reason, the Board of

Directors, so soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Cooperative ceased furnishing electric service to such person. Upon discovery that the Cooperative has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person applies for, and the Board of Directors approves, membership retroactively to the date on which such person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct its membership and all related records accordingly.

ARTICLE IV RIGHTS AND LIABILITIES OF MEMBER

SECTION 4.01. *Property Interest of Members.* Upon dissolution after (a) All debts and liabilities of the Cooperative shall have been paid, and b) All capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members of the Cooperative at the time of the filing of the Certificate of Dissolution, in the proportion which the aggregate patronage of each bears to the total patronage of all members.

SECTION 4.02. *Nonliability 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.

ARTICLE V MEETINGS OF MEMBERS

SECTION 5.01. *Annual Meeting.* For the purposes of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held during the month of April each year, at such place in one of the counties in Texas within which the Cooperative services, and beginning at such hour, as the Board of Directors shall from year to year fix: PROVIDED, that, for cause sufficient to it, the Board of Directors may fix a different date for such annual meeting not more than thirty (30) days prior or subsequent to the anniversary of the last annual meeting of the members. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for, and to encourage member attendance at, the annual meeting. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Cooperative.

SECTION 5.02. *Special Meetings.* A special meeting of the members may be called by the President, the Board of Directors or by any three (3) directors or by petition signed by not less than ten (10) percent 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 in section 5.03. Such a meeting shall be held at such place in one of the counties in Texas within which the Cooperative serves, on such date, not sooner than forty (40) days after the call for such meeting is made or a petition therefor is filed, and beginning at such hour and on such day of the week as customary for holding the annual meeting.

SECTION 5.03. *Notice of Member 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 (and, in the case of a special meeting, at the direction of him or those calling the meeting). 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, if any, in *Texas Co-op Power*. No matter the carrying of which, as provided by law, or by the Cooperative's Articles of Incorporation or Bylaws 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 non-intended 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 5.04. Quorum. A quorum for the transaction of all business at all meetings of the members shall be at least 3 percentum (3%) of the total number of members. Such number of persons shall be present in person or by proxy.

If less than a quorum is present at any meeting a majority of those present in person or by proxy may adjourn the meeting from time to time without further notice.

SECTION 5.05. Voting. Each member who is not in a status of suspension, as provided for in Section 3.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Cooperative, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote. At all meetings of the members, all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Cooperative's Articles of Incorporation or these Bylaws.

SECTION 5.06. Credentials and Election Committee. The Board of Directors shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of members not less than nine (9) who are not members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for director, and who are not close relatives (as hereinafter defined) or members of the same household of members of the Nominating Committee or existing Cooperative employees, agents, officers, directors or known candidates for director. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or other voting, to pass upon all questions that may arise with respect to the registration of members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other vote irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination of the qualifications of candidates and the regularity of the nomination and election of directors), and to pass upon any protest or objection filed with respect to any election or to conduct affecting the results of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of the counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed during, or within three (3) business days following the adjournment of, the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Committee, by a vote of a majority of those present and voting, shall, within a reasonable time but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this section shall be final.

SECTION 5.07. Proxies. A person attending any meeting of members may vote his vote and no more than three (3) proxies. A member may give another member his/her proxies by an instrument in writing limited to that one meeting. All proxies must be filed with the secretary prior to the actual beginning of the meeting.

SECTION 5.08. Order of Business. The order of business at the annual meeting of the members and, insofar as practicable or desirable, at all other meetings of the members shall be essentially as follows: (1) Report of the number of members present in person or by proxy in order to determine the existence of a quorum; (2) Reading of the notice of the meeting and proof of the due giving thereof, or of 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 taking of necessary action thereon; (4) Presentation and consideration of reports of officers, directors and committees; (5) Election of directors; (6) Unfinished business; (7) New business; and (8) Adjournment. 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: PROVIDED, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE VI DIRECTORS

SECTION 6.01. Number and General Powers. The business and affairs of the Cooperative shall initially be managed by a Board of sixteen (16) Directors, which number shall be reduced to nine (9), during the first three years of the Cooperative. The Board shall exercise all of the powers of the Cooperative except such as are by law or by the Cooperative's Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the members. The Board of Directors shall have full power and authority to exercise all of the general powers as stated in Section 161.121 of the Texas Utilities Code, including, but not limited to, the following: Said Board may perform any other acts for the Cooperative or its members or for another electric cooperative or its members, and exercise any other power that may be necessary, convenient or appropriate to accomplish the purpose for which the Cooperative is organized, including other or additional purposes benefiting members and non-members whether directly or through affiliates. The Board of Directors shall further have full power and authority to create and organize for profit and/or non-profit, subsidiary corporations which shall be owned by the Cooperative.

SECTION 6.02. Qualifications. A director must be a bonafide resident in the 12 county area served by the Cooperative, a member of the Cooperative, and actively taking service from the Cooperative in the District he is elected. No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or of an employee of the Cooperative, or is not a member in good standing of the Cooperative; PROVIDED, that the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or his designee, shall be eligible to become a director, if he or such designee (1) is in substantial permanent occupancy, direction or use of the premises served by the Cooperative, and (2) is a permanent and year-round resident within the 12 county area served by the Cooperative; BUT PROVIDED FURTHER, that no more than one (1) such person may serve on the Board of Directors at the same time. No person shall be eligible to become or remain a director of, or to hold any other position of trust in the Cooperative is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to, among others, the members of the Cooperative. Upon establishment of the fact that a nominee for director lacks eligibility under this section or as may be provided elsewhere in these Bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this section, it shall be the duty of the Board of Directors to withhold such position from such person, or to cause him to be removed therefrom, as the case may be. Nothing contained in the section 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, unless such action is taken with respect to a matter which is affected by the provisions of this section and in which one or more of the directors have an interest adverse to that of the Cooperative.

SECTION 6.03. Election. At each annual meeting of the members, directors shall be elected by secret written ballot by the members and, except as provided in the first provisions of Section 6.02 of these Bylaws, from among those members who are natural persons: PROVIDED, that, when there is only

one nominee for a particular director place, and if there is no objection, secret written balloting may be dispensed with in respect of that particular director place and voting may be conducted in any other proper manner. Directors shall be elected by a majority of the votes cast. Drawing by lot shall resolve, where necessary, any tie votes.

SECTION 6.04. *Tenure.* To facilitate the election of Directors on a regional basis, so that the annual meeting at which Directors are elected can be held in the vicinity of the Districts up for election: (a) the 2006 nominations and elections at the annual meeting will be for three-year terms for Director District Nos. Seven (7), Eight (8) and Nine (9) [the Director District Seven (7) existing three year-term being reduced for this election cycle only to a two-year term so that such District is placed in a regional election cycle] and with the Director District No. Two (2) election being deferred until 2007, resulting in a one-time four-year term for the existing Director for such District; (b) the 2007 nominations and elections at the annual meeting will be for three-year terms for Director District Nos. One (1), Two (2) and Three (3) [the Director District One (1) existing three year-term being reduced for this election cycle only to a two-year term so that such District is placed in a regional election cycle], with the Director District No. Four (4) election being deferred until 2008, resulting in a one-time four-year term for the existing Director for such District; and (c) the 2008 nominations and elections at the annual meeting will be for three-year terms for Director District Nos. Four (4), Five (5) and Six (6). Commencing 2009 and continuing thereafter Directors shall be so nominated and elected that one director from or with respect to each of Director District Nos. Seven (7), Eight (8) and Nine (9), shall be elected for three-year terms at an annual member meeting, one director from or with respect to each of Director District Nos. One (1), Two (2) and Three (3) shall be elected for three-year terms at the next succeeding annual member meeting; and one director from or with respect to each of Director District Nos. Four (4), Five (5) and Six (6) shall be elected for three-year terms at the next succeeding annual member meeting, and so forth. Upon their election, directors shall, subject to the provisions of these Bylaws with respect to the removal of directors, serve until the annual meeting of the members of the year in which their terms expire or until their successors shall have been elected and shall have qualified. 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 meeting or the 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 6.05. *Director Districts.* There is hereby created Director District Number One (1), Director District Number Two (2), Director District Number Three (3), Director District Number Four (4), Director District Number Five (5), Director District Number Six (6), Director District Number Seven (7), Director District Number Eight, and Director District Number Nine (9). The Director or Nominee(s) shall be elected or nominated to or from each Director District so as to give equitable representation on the Board to the geographical areas served or to be served by the Cooperative. Director Districts shall be as so designated by the Board of Directors from time to time as approved by the Board of Directors. A map of the service area and Director Districts is available at the Cooperative headquarters.

SECTION 6.06. *Nominations.* It shall be the duty of the Board of Directors to appoint, not less than thirty (30) nor more than one hundred twenty (120) days prior to the date of a meeting of the members at which directors are to be elected, a Committee on Nominations, consisting of Six (6) members of the Cooperative, being Two (2) members from each of the Director Districts for which a director is to be elected at the meeting and who are not existing Cooperative employees, agents, officers, directors or known candidates for director, who are not close relatives (as hereinafter defined) or members of the same household of such existing employees, agents, officers, directors or known candidates for director. The Committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days prior to the meeting a list of nominations for directors to be elected, listing separately the nominee(s) for each Director District from or with respect to which a director must, pursuant to this Article, be elected at the meeting. The Committee may include as many nominees for any director to be elected from or with respect to any Director District as it deems desirable. And twenty-five (25) or more members of the Cooperative, acting together, may make additional nominations in writing over their signatures, listing their nominee(s) in like manner, not less than twenty (20) days prior to the meeting, and the Secretary shall post such nominations at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail to the members with the notice

BCEC Bylaws Board Approved January 4, 1999

Revised June 6, 2000; July 24, 2003; February 19, 2004;

May 19, 2005; July 21, 2005; December 21, 2006

of the meeting, or separately, but at least ten (10) days prior to the date of the meeting, a statement of the names and addresses of all nominee(s) for each Director District from or with respect to which one or more directors must be elected, showing clearly those nominated by the Committee and those nominated by petition, if any. The chairman at such meeting, after all nominations so made have been duly announced, shall call for additional nominations from the floor and shall ascertain and announce after any nominations made from the floor, the particular Director District from or with respect to which any additional candidates have been nominated. Notwithstanding the provisions contained in this section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

SECTION 6.07. *Voting for Directors; Validity of Board Action.* In the election of directors, each member shall be entitled to cast the number of votes (but not cumulatively) which corresponds to the total number of directors to be elected. Each member of the Cooperative shall be entitled to vote for one nominee from or with respect to any particular Director District. Ballots marked in violation of the foregoing restriction with respect to one or more Director Districts shall be invalid and shall not be counted with respect to such District or Districts. Notwithstanding the provisions contained in this section, failure to comply with any of such provisions shall not affect in any manner whatsoever the validity of any action taken by the Board of Directors after the election of directors.

SECTION 6.08. *Removal of Directors by Members.* Any member may bring one or more charges for cause against any one or more directors and may request the removal of such director(s) by reason thereof by filing with the Secretary such charge(s) in writing together with a petition signed by not less than ten (10%) percent of the total membership of the Cooperative, which petition calls for a special member meeting, the stated-purpose of which shall be to hear and act on such charges and, if one or more directors are recalled, to elect their successor(s) 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(s) 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) 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 twenty (20) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations, except that nominations shall be made from the floor: PROVIDED, that the question of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. A newly elected director shall be from or with respect to the same Director District as was the director whose office he succeeds and shall serve the unexpired portion of the removed director's term.

SECTION 6.09. *Vacancies.* Subject to the provisions of these Bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the Board of Directors shall be filled by the Board of Directors. A director thus elected shall serve out the unexpired term of the director whose office was originally vacated and until a successor is elected and qualified: PROVIDED, that such a director shall be from or with respect to the same Director District as was the director whose office was vacated.

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SECTION 6.10. Compensation; Expenses. Directors shall, as determined by resolution of the Board of Directors, receive, on a per diem basis, a fixed fee, (a) for attending meetings of the Board of Directors and, when such has had prior approval of the Board of Directors, (b) for the performance of other Cooperative business and attending all other cooperative related meetings. The fee fixed for attending Board meetings need not be the same as the fee or fees fixed for performing other Cooperative business. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in attending such meetings and performing such business. The members of the board may adopt resolutions authorizing the payment of insurance benefits for directors. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of such compensation shall be specifically authorized by a vote of the members or such payment and amount shall be specifically authorized by the Board of Directors upon their certification of such as an emergency measure: PROVIDED, that a director who is also an officer of the Board, and who as such officer performs regular or periodic duties of a substantial nature for the Cooperative in its fiscal affairs, may be compensated in such amount as shall be fixed and authorized in advance of such service by the Board of Directors.

SECTION 6.11. Rules, Policies, Regulations, Rate Schedules and Contracts. The Board of Directors shall have power to make, adopt, amend, abolish and promulgate such rules, policies, regulations, rate schedules, contracts, security deposits and any other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law or the Cooperative's Articles of Incorporation or Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 6.12. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system of the Cooperative's financial operations and condition, and shall, after the close of each fiscal year, cause to be made a full, complete and independent audit of the Cooperative's accounts, books and records reflecting financial operations during, and financial condition as of the end of, such year. A full and accurate summary of such audit reports shall be submitted to the members at or prior to the succeeding annual meeting of the members. The Board may authorize special audits, complete or partial, at any time and for any specified period of time.

SECTION 6.13. Subscription to Statewide Publication. For the purpose of disseminating information devoted to the economical, effective and conservative use of electric energy, the Board of Directors shall be empowered, on behalf of and for circulation to the members periodically, to subscribe to the statewide publication, "Texas Co-op Power", the annual subscription price for which shall be not less than \$2.62 per year (22 cents per copy) nor more than \$5.00 per year (42 cents per copy), and which shall be deducted from any funds accruing in favor of such members, so as to reduce such funds in the same manner as would any other expense of the Cooperative.

SECTION 6.14. "Close Relative" Defined. As used in these Bylaws, "close relative" means a person who, by blood or in law, including half, foster, step and adoptive kin, is a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal.

ARTICLE VII MEETINGS OF DIRECTORS

SECTION 7.01. Regular Meetings. A regular meeting of the Board of Directors shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as conveniently may be, at such site as designated by the Board in advance of the annual member meeting. A regular meeting of the Board of Directors shall also be held monthly at such date, time and place in one of the counties in Texas within which the Cooperative serves as the Board shall provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof, except when business to be transacted thereat shall require special notice: PROVIDED, that any director absent from any meeting of the board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be

entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board; AND PROVIDED FURTHER, that, if a policy therefor is established by the Board, the President may change the date, time or place of a regular monthly meeting for good cause and upon not less than five (5) days notice thereof to all directors.

SECTION 7.02. *Special Meetings.* Special meetings of the Board of Directors may be called by the President, board resolution, or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided in Section 7.03. The Board, the President, or the directors calling the meeting shall fix the date, time and place for the meeting, which shall be held in one of the counties in Texas within which the Cooperative serves, unless all directors consent to its being held in some other place in Texas or elsewhere. Special meetings, upon proper notice as otherwise provided in Section 7.03, 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, if all the directors consent thereto.

SECTION 7.03. *Notice of Directors Meetings.* Written notice of the date, time, place (or telephone conference call) and purpose or purposes of any special meeting of the Board and, when the business to be transacted thereat shall require such, of any regular meeting of the Board shall be delivered to each director not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in this duty by the Secretary, by him or those calling it in the case of a special meeting or by any director in the case of a meeting whose date, time and place have already been fixed by Board resolution. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the director at his address as it appears on the records of the Cooperative, with first class postage thereon prepaid, and postmarked at least five (5) days prior to the meeting date. The attendance of a director at any meeting of the Board 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 of one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

SECTION 7.04. *Quorum.* The presence in person of a majority of the directors in office shall be required for the transaction of business and the affirmative votes of a majority of the directors present shall be required for any action to be taken. PROVIDED, that a director who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of directors in office or present; AND PROVIDED FURTHER, that, if less than quorum be present at a meeting, a majority of the directors present may adjourn the meeting from time to time, but shall cause the absent directors to be duly and timely notified of the date, time and place of such adjourned meeting.

ARTICLE VIII OFFICERS; MISCELLANEOUS

SECTION 8.01. *Number and Title.* The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer, and such other officers as may from time to time be determined by the Board of Directors. The offices of Secretary and Treasurer may be held by the same person.

SECTION 8.02. *Election and Term of Office.* The four officers named in Section 8.01 shall be elected 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 person, and with such title, tenure, responsibilities and authorities, as the Board of Directors may from time to time deem advisable.

SECTION 8.03. Removal. Any officer, agent or employee elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served.

SECTION 8.04. Vacancies. A vacancy in any office elected or appointed by the Board of Directors shall be filled by the Board for the unexpired portion of the term.

SECTION 8.05. President.

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

SECTION 8.06. Vice-President. In the absence of the President, or in the event of his inability or refusal to act, the Vice-President shall perform the duties of the President, and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 8.07. Secretary. The Secretary shall (a) keep, or cause to be kept, the minutes of meetings of the members and of the Board of Directors in one or more books provided for the 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 or is required by law; (d) keep, or cause to be kept, a register of the name and post office address of each member, which address shall be furnished to the cooperative by such member; (e) sign, with the President, certificates of membership the issue of which shall have been authorized by resolution of the Board of Directors; (f) have 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's Articles of Incorporation and Bylaws, together with all amendments thereto, which copies shall always be open to the inspection of any member, and, at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto upon request to any member; and, (h) in general, perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 8.08. Treasurer. The Treasurer shall be responsible for: (a) custody of all funds and securities of the Cooperative; (b) the receipt of and issuance of receipts for all monies due and payable to the Cooperative and for deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the board.

SECTION 8.09. Chief Executive Officer. The Board of Directors may appoint a Chief Executive Officer ("CEO"), who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated and serve as General Manager, and Executive Vice-President. Such officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors from time to time may vest.

SECTION 8.10. Bonds. The Board of Directors shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody of any of its funds or property to give bond in such sum and 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. The costs of all such bonds shall be borne by the Cooperative.

SECTION 8.11. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

SECTION 8.12. Compensation. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director shall be determined as provided in Section 6.10 of these Bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be or a plan therefor approved by the Board of Directors. The Cooperative shall indemnify present and former directors, officers, including the General Manager (or, if so titled, the Executive Vice-President) agents and employees against liability to the extent that their acts or omissions constituting the grounds for alleged liability were performed in their official capacity and, if actionable at all, were based upon good faith business judgments in the belief the acts or omissions were in the best interests of the Cooperative or were not against the best interests of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

SECTION 8.13. Indemnification for Expenses and Liability. Every director and officer of the Cooperative shall be indemnified by the Cooperative against all judgements, penalties, fines, liabilities, amounts paid in settlement and reasonable expenses, including counsel fees actually incurred by or imposed upon him or her in connection with any proceeding to which he or she was, is or is threatened to be made a party, or in which he or she may become involved, by reason, in whole, or in part, of being or having been a director or officer of the Cooperative, whether or not he or she is a director or officer, at the time such expenses are incurred, to the maximum extent consistent with the provisions of 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.

SECTION 8.14. 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.

SECTION 8.15. Continuing Offer, Reliance. The provisions of this Article are for the benefit of, and may be enforced by, each director and officer of the Cooperative as a contract for valuable consideration and constitute a continuing offer to all present and future directors and officers of the Cooperative. The Cooperative, by the adoption of this Article agrees that each present and future director and officer of the Cooperative has relied upon and will continue to rely upon the provisions of this Article in accepting, serving or continuing to serve as a director or officer.

SECTION 8.16. 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 IX NON-PROFIT OPERATION

SECTION 9.01. *Interest or Dividends on Capital Prohibited.* The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 9.02. *Patronage Capital in Connection with Furnishing Electric Energy.* In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons 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 for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in 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 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 the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself and the specific amount of capital so credited to him. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on 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. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital 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 offices.

SECTION 9.03. *Capital Credit Assignment and Retirements to Estates.* Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions 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.

Notwithstanding any other provisions of these Bylaws, the Board of Directors shall at its discretion have the power at any time upon the death of any patron who was a natural person (or, if so provided for in the preceding paragraph, upon the death of an assignee of the capital credits of a patron, which assignee was a natural person), if the legal representatives of his estate shall request in writing that the capital so credited or assigned, as the case may be, be retired prior to the time such capital would otherwise be retired under provisions of the Bylaws, to retire such capital immediately upon such terms and conditions as the Board of Directors, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon: PROVIDED, however, that the financial condition of the Cooperative will not be impaired thereby.

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The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, together with interest thereon at the Texas legal rate on judgments in effect when such amount became overdue, compounded annually.

ARTICLE X DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber any of its property other than: (a) property which is in judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Cooperative's system and facilities; provided, however, that all sales of such property shall not in any one (1) year exceed in value ten percentum (10%) of the value of all the property of the Cooperative; (b) transfer of transmission and substation facilities to Golden Spread Electric Cooperative, Inc. pursuant to an Operation and Maintenance Agreement and a Special Facilities Agreement which, *inter alia*, provide for the Cooperative to continue to physically maintain and operate such transmission and substation facilities on behalf of Golden Spread Electric Cooperative, Inc., provide for an assumption by Golden Spread Electric Cooperative, Inc. of certain debt related to the transferred facilities, and contain provisions whereby Cooperative can buy back all such facilities at a formulated price; (c) service of all kinds, including electric energy; and (d) 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 percentum (50%) 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, or from the National Rural Utilities Cooperative Finance Corporation (CFC), or from the Texas Bank for Cooperatives, or any agency or instrumentality thereof, and in connection with such borrowing to authorize the making and issuance of bonds, note, or other evidences of indebtedness and, to secure the payment of thereof, to authorize the execution and delivery of a mortgage, or a deed or deeds of trust upon, or the pledging or encumbrance 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.

ARTICLE XI CORPORATE 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 XII CONTRACTS, CHECKS AND DEPOSITS

SECTION 12.01. Contracts. Except as otherwise provided by law or these Bylaws, the Board of Directors may authorize any Cooperative officer, agent or employee to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 12.02. 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 or countersigned by such officer, agent or employee of the cooperative and such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 12.03. 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 XIII MISCELLANEOUS

SECTION 13.01. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

SECTION 13.02. Membership in Other Organizations. The Cooperative shall not become a member of any other organization without an affirmative vote of the Board of Directors at a regular or special meeting. The notice of any such special meeting shall specify that action is to be taken upon such proposed membership as an item of business.

SECTION 13.03. Area Coverage. The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all requirements established by the Cooperative as a condition of such service.

ARTICLE XIV AMENDMENTS

These bylaws may be altered, amended or repealed by not less than the affirmative vote of two-thirds (2/3) of all the Board of Directors at any regular or special meeting. The notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal or an accurate summary explanation thereof.

ARTICLE XV WAIVER OF NOTICE

Any member or board member may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in case a member or board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

ARTICLE XVI 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 procedures is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

**ARTICLES OF CONSOLIDATION OF
STAMFORD ELECTRIC COOPERATIVE, INC.
AND
MIDWEST ELECTRIC COOPERATIVE, INC.
FORMING
BIG COUNTRY ELECTRIC COOPERATIVE INC.**

These Articles of Consolidation are submitted pursuant to that certain Consolidation Agreement by and between Stamford Electric Cooperative, Inc., and Midwest Electric Cooperative, Inc., dated to be effective January 1, 1999, setting forth the terms and conditions of the consolidation, the name of the proposed consolidated corporation, the number of directors, the time of the annual meeting and the election and the names of the persons to be its initial directors.

Stamford Electric Cooperative, Inc. is a cooperative non-profit membership corporation organized in 1939 pursuant to the Electric Cooperative Corporation Act of the State of Texas (Texas Utilities Code, Chapter 161) under Charter No. 74819. Stamford Electric Cooperative, Inc. has no shareholders and is governed by its member-consumers.

Midwest Electric Cooperative, Inc. is a cooperative non-profit membership corporation organized in 1938 pursuant to the Electric Cooperative Corporation Act of the State of Texas (Texas Utilities Code, Chapter 161) under Charter No. 73876-1. Midwest Electric Cooperative, Inc. has no shareholders and is governed by its member-consumers.

The consolidation agreement was approved by the votes of a majority of the members of each of Stamford Electric Cooperative, Inc. and Midwest Electric Cooperative, Inc. present in person or proxy at a special meeting of its members called for that purpose. These votes were cast at separate meetings of the members of each cooperative in compliance with the laws of the State of Texas and were certified by the Secretary of each corporation.

Stamford Electric Cooperative, Inc. and Midwest Electric Cooperative, Inc. adopt the following Articles of Consolidation pursuant to Section 161.201 of the Electric Cooperative Corporation Act (Texas Utilities Code, Sec. 161.201) for the purpose of consolidating them into a new corporation named Big Country Electric Cooperative, Inc.:

ARTICLE I

The name of the corporation is Big Country Electric Cooperative, Inc.

ARTICLE II

The purpose for which the corporation is formed is to engage in rural electrification by all methods authorized by law. The Corporation does not contemplate pecuniary gain or profit to its members and is organized for non-profit purposes.

ARTICLE III

The names and addresses of the individuals serving as directors of the Corporation as of the date of the adoption of these Articles who shall serve until the first annual meeting of members, and thereafter until their respective term of office expires or until their successors are duly elected and qualified, whichever is the latest to occur, are:

<u>Name</u>	<u>Address</u>
Mr. Jimlee Baucum	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. Carl Thompson	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. Lewis Corzine	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. J.B. Glover	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. J.F. Dozier	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. Wilbert Klose	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. Walter Buerger	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. Billy Middlebrook	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. James Seidenberger	Stamford Electric Cooperative, Inc. 225 West McHarg P.O. Box 1147 Stamford, Texas 79553-1147
Mr. Carl Williams	Midwest Electric Cooperative, Inc. 1010 West South 1st Street P.O. Box 518 Roby, Texas 79543-0518
Mr. John Ward	Midwest Electric Cooperative, Inc. 1010 West South 1st Street P.O. Box 518 Roby, Texas 79543-0518
Mr. Jerry Upshaw	Midwest Electric Cooperative, Inc. 1010 West South 1st Street P.O. Box 518 Roby, Texas 79543-0518
Mr. Bobby Gruben	Midwest Electric Cooperative, Inc. 1010 West South 1st Street P.O. Box 518 Roby, Texas 79543-0518
Ms. Sue Herring	Midwest Electric Cooperative, Inc. 1010 West South 1st Street P.O. Box 518 Roby, Texas 79543-0518

Mr. Vance Lakey

Midwest Electric Cooperative, Inc.
1010 West South 1st Street P.O. Box 518
Roby, Texas 79543-0518

Mr. Mickey Sterling

Midwest Electric Cooperative, Inc.
1010 West South 1st Street P.O. Box 518
Roby, Texas 79543-0518

ARTICLE IV

The initial number of directors of the Corporation is sixteen (16), which number shall be reduced to nine (9) during the first three (3) years, as provided in the Corporation's Bylaws. The initial directors of the Corporation shall serve until their respective terms of office shall expire and their successors duly elected in accordance with the laws of the State of Texas, these Articles of Consolidation and the Corporation's Bylaws.

No person shall be eligible to become or remain a director of the Corporation unless such person (i) is a member in good standing of the Corporation, (ii) receives electric service in the district that he does or would represent and (iii) meets all other qualifications provided for in the Bylaws of the Corporation.

ARTICLE V

Each annual meeting of the Members for the election of directors to succeed those whose terms are then expiring and for the transaction of other business brought before the meeting will be held at such time as may be provided in the Bylaws of the Corporation.

ARTICLE VI

The street address of the initial principal office of Big Country Electric Cooperative, Inc., shall be 1010 West South 1st Street, Roby, County of Fisher, State of Texas 79543, and the name of the initial registered agent at such address is Jerry Stapp.

ARTICLE VII

The period of duration of the Corporation is perpetual.

ARTICLE VIII

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

- (a) paying the membership fee set by the Board of Directors;
- (b) agreeing to purchase service from the Corporation as hereinafter specified; and
- (c) agreeing to comply with and be bound by these Articles and the Bylaws of the Corporation and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors.

Notwithstanding the foregoing, any person, firm, corporation, or body politic shall

become a member when such person, firm, corporation, or body politic:

- (i) is accepted for membership by the Board of Directors, or
- (ii) is accepted for membership by the members at a meeting of the members, or
- (iii) accepts electric energy or other service provided by the Corporation.

No person, firm, corporation, or body politic may own more than one (1) membership in the Corporation. A husband and wife jointly may 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 jointly comply with the provisions of the above subdivisions (a), (b), and (c).

Section 2. All amounts paid by a member in excess of the cost of service furnished to such member shall be deemed to have been furnished by such member as capital, and each such member shall be credited with the capital so furnished as provided in the Bylaws. The Board of Directors has authority to retire all or part of such capital credits, in accordance with such standards, rules, methodologies and procedures, in any one or more years or parts of a year, as the Board of Directors in its discretion shall determine is in the best interests of the Corporation and will not impair the Corporation's financial condition and are in accordance with any restrictions contained in the Corporation's mortgages or loan contracts with the United States Department of Agriculture, Rural Utilities Services (RUS), National Rural Utilities Cooperative Finance Corporation (CFC) or any other lender of funds to the Corporation.

Each member shall pay all amounts owed by such member to the Corporation as and when the same shall become due and payable. The Board of Directors is given authority to enforce penalties for failure to so pay.

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

ARTICLE IX

Except as may be otherwise provided by law, no contract, act or transaction of the Corporation with any person or persons, firm, trust or association, or any other corporation shall be affected or invalidated by the fact that any director, officer or member of this Corporation is a party to, or is interested in, such contract, act or transaction, or in any way connected with any such person or persons, firm, trust or association, or is a director, officer or member of, or otherwise interested in, any such other corporation, nor shall any duty to pay damages to this Corporation be imposed upon such director, officer or member of this Corporation solely by reason of such fact, regardless of whether the vote, action or presence of any such director, officer or member may be, or may have been, necessary to obligate this Corporation on, or in connection with, such contract, act or transaction, provided that if such vote, action or presence is, or shall have been, necessary, such interest or connection (other than an interest as a non-controlling shareholder of any such other corporation) be known or disclosed to the Board of Directors of this Corporation.

ARTICLE X

To the extent permitted by law, each director and officer or former director or officer of this Corporation or any person who has served at the request of this Corporation as a director or officer of another corporation in which this Corporation owns shares of capital stock or of which this Corporation is a creditor (and their heirs, executors and administrators) may be indemnified by the Corporation against reasonable costs and expenses incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been such director or officer. The foregoing rights and indemnification shall not be exclusive of any other rights to which such directors, officers or other persons may be entitled according to law.

ARTICLE XI

No director of the Corporation shall 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 to the extent a court of competent jurisdiction finds such director liable for:

- (1) a breach of a director's duty or 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; or
- (4) an act or omission for which the liability of a director is expressly provided by an applicable statute.

ARTICLE XII

Section 1. Except as provided in Section 2 and Section 3 of this Article XII, the Board of Directors may not sell, lease, lease-sale, exchange, transfer or otherwise dispose of all or substantially all of the Corporation's property nor may the Board authorize any such transaction unless such sale, lease, lease-sale, exchange, transfer or other disposition is first authorized at a meeting of the members thereof by affirmative vote of more than fifty percent (50%) of all of the members of the Corporation. Members may vote in person or by absentee mail ballot. The notice of such proposed sale, lease, lease-sale, exchange, transfer or other disposition shall be contained in the notice of the meeting.

Section 2. The Board of Directors, without authorization by the members, shall have full power and authority to borrow monies from any source and 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 and all the Corporation's property and assets, whether acquired or to be acquired, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine to secure any indebtedness of the Corporation.

Section 3. The Board of Directors may, upon the authorization of a majority of those members of the Corporation present at a meeting of the members thereof, sell, lease, exchange, or otherwise dispose of all or substantially all of the Corporation's property to another

Corporation doing business in this state pursuant to the Act under which the Corporation is incorporated.

ARTICLE XIII

Section 1. Except as provided in Section 2 of this Article XIII, three percent (3%) of the total number of members of the Corporation present in person or represented by absentee mail ballot as submitted in accordance with the Bylaws, shall constitute a quorum of the members, provided that if less than three percent (3%) of the total number of members are present or represented by absentee mail ballot at said meeting, a majority of the members so present may adjourn the meeting from time to time without further notice.

Section 2. Fifty-one percent (51%) of the total number of members of the Corporation shall constitute a quorum (i) for the purpose of considering the alteration, amendment or repeal of Article XII hereof or this Section 2 of Article XIII, or (ii) for the purpose of considering the sale, lease, exchange, or transfer of all or substantially all of the Corporation's property.

The affirmative vote of more than fifty percent (50%) of all members of the Corporation shall be required to alter, amend or repeal said Article XII hereof or this Section 2 of Article XIII.

This Section 2 shall not apply to sales, transfers, mergers, consolidations or exchanges of property to another electric cooperative doing business in this State under the Act under which the Corporation was incorporated.

ARTICLE XIV

Section 1. The Board of Directors shall have power to make and adopt such rules, regulations, and Bylaws, not inconsistent with these Articles, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Corporation.

Section 2. The private property of the members of the Corporation shall be exempt from execution for the debts of the Corporation and no member shall be individually responsible for any debts or liabilities of the Corporation.

Witness our hands this ____ day of January, 1999.

Jimlee Baucum, Incorporator

STATE OF TEXAS

'
'

COUNTY OF _____

This instrument was acknowledged before me on this _____ day of _____, 2010, by Jimlee Baucum.

Notary Public,
State of Texas

(Printed or
Stamped Name of Notary)

My Commission Expires: _____

