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ARTICLE 1
MEMBERSHIP

Section 1. Eligibility and Requirements for membership;

Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of THE ARKANSAS VALLEY ELECTRIC COOPERATIVE (hereinafter called the "Cooperative") by:

- (a) making a written application for membership herein;
- (b) agreeing to purchase from the Cooperative electric energy as hereinafter specified;
- (c) agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors, and
- (d) paying the membership fee as specified in section 5 hereinafter specified; provided, however, that no person, firm, association, or body politic or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the Board of Directors of the members. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable.

At each meeting of the members held subsequent to the expiration of a period of six months from the date of incorporation of the Cooperative, all applications received more than ninety days prior to such meeting which have not been accepted or which have been rejected by the Board of Directors shall be submitted by the Secretary to such meeting and, subject to compliance by the applicant with the requirements hereinabove set forth, any such applications may be accepted by vote of the members. The Secretary shall give each such applicant at least ten days written notice of the date of the members meeting to which his or her application will be submitted and such applicant, shall be entitled to be present and heard at the meeting.

Section 2. Membership Certificates:

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal affixed thereto. No membership certificate shall be issued for less than the membership fee as provided for in Section 5, nor until such membership fee has been fully paid. In case a certificate is lost, destroyed or mutilated, a new certificate may be issued upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

Section 3. Joint Membership:

A husband and wife may apply for a joint membership and subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "membership" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;

- (d) Notice to either shall constitute notice to both.
- (e) Expulsion of either shall terminate the joint membership.
- (f) Withdrawal of either shall terminate the joint membership.
- (g) Either but not both may be elected or appointed a director, provided that both meet the qualification for such office.

Section 4. Conversion of Membership:

(a) A membership may be converted to a joint membership upon the written request of the holder thereof and the agreement of such holder and his or her spouse to comply with the Articles of Incorporation, Bylaws and rules and regulations adopted by the Board of Directors. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

(b) Upon the death of either spouse who is a party to the joint membership, such membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the change membership status, provided, however, that the estate of the deceased shall not be released from any debts due the Cooperative.

Section 5. Membership Fee:

The membership fee shall be as fixed from time to time by the Board. Membership fee (together with any service security deposit, or service connection deposit or fee, facilities extension deposit, prepayment, or contribution in aid of construction, or any combination thereof, if required by the Cooperative) shall entitle the member to electric service. A service connection deposit of fee, in such amount as shall be prescribed by the Cooperative (together with a service security deposit, a facilities extension deposit, prepayment, or a contribution in aid of construction, if required by the Cooperative), shall be paid by the member for each additional service connection requested by him. Any fee, deposit, prepayment, or contribution required to initiate service shall be paid in the time period specified by the Cooperative.

Section 6. Purchase of Electric Energy:

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his or her application for membership, and shall pay thereafter monthly at rates which shall from time to time be determined by the Board of Directors or the appropriate government regulatory body; provided, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. 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 subjected to appropriate regulations as shall be fixed from time to time by the Cooperative. 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 or her to the Cooperative as and when the same shall become due and payable.

Section 7. Wiring of Premises; Meter Tampering or Bypassing and 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 National Electrical 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 any other person against death, injury, loss, or damage resulting from any defect in or improper use or maintenance of—such premises and all wiring and apparatus 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 for meter reading, inspection, maintenance, replacement, relocation, or repair thereof at all reasonable times. As part of the consideration for 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 damages to such facilities, and shall use his or her best efforts to prevent others from so doing. Each member shall also provide such protective devices to his or her 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 interference with or damage to such facilities. In the event such facilities are interfered with, impaired in 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 any other person against death, injury, loss, or damage resulting therefrom, including, but not limited to, the Cooperative’s cost of repairing, replacing, or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. In no event shall the responsibility of the Cooperative extend beyond the point at which its service wires are attached to the meter loop provided for measuring electricity used on such premises. In the case of standby generation the Cooperative’s service rules and regulations are applicable. The Cooperative shall, however, in accordance with its applicable service rules and regulations, reimburse 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.

Section 8. Termination of Membership:

(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for a least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors or by vote of the members at an annual or special meeting. The membership of a member who, for a period of six (6) months after service is available to him or her, has not purchased electric energy from the Cooperative, shall be cancelled by resolution of the Board of Directors.

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

(c) In the case of withdrawal or termination of membership in any manner, the Cooperative shall

repay to the member the amount of the membership fee paid by him or her, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligation owing from the member to the Cooperative.

Section 9. Member Easements and Participation in Cooperative Load Management Programs, If Required:

Each member shall, upon being requested so to do by the Cooperative, execute and deliver to the Cooperative grants of easements 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 her or for the construction, operation, maintenance, or relocating 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, to more efficiently utilize or conserve electric energy, or to conduct load research.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

Section 1. 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 and former members in the proportion which the aggregate patronage of each bears to the total patronage of all such members, unless otherwise provided by law.

Section 2. Non-liability for Debts of the Cooperative:

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

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meeting:

The Annual Meeting of the members shall be held each year during the month as determined by the Board of Directors and at such place (within a county served by the Cooperative) as shall be designated in the notice of the meeting, for the purpose of naming the directors elected, reviewing the reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. 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 meeting of the members may be called upon resolution of the Board of Directors, or upon a written request signed by any three (3) directors, or by ten percent (10%) or more 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 within the County of Franklin, State of Arkansas, specified in the notice of the special meeting.

A Special Meeting of the members shall be required to consider or act upon any proposal to sell or otherwise dispose of any substantial portion of the property of the Cooperative. Voting by members

present and in person shall be required at Special Meetings unless otherwise determined by the Board of Directors.

Section 3. Notice of Member's Meeting:

Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or upon a default in duty by the Secretary by the persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope, addressed to the member at his or her address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any meeting.

Section 4. Quorum:

As long as the total number of members does not exceed one thousand, ten percentum of the total number of members voting shall constitute a quorum. In case the total number of members shall exceed one thousand (1,000), one hundred and fifty (150) of the members voting shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum votes at any meeting, the presiding officer at such meeting may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person and number of members voting by mail ballot.

Section 5. Voting:

Each member shall be entitled to only one vote upon each matter submitted to a vote at an election or meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by law, the Articles of Incorporation or these Bylaws.

(a) In connection with an amendment to the Articles of Incorporation or, when requested by the Board of Directors, any motion or resolution pertaining to the borrowing of funds from the United States of America, or any agency or instrumentality thereof, or the supplemental financing from National Rural Utilities Cooperative Finance Corporation (CFC) and/or any other lending agencies or the sale, mortgage, lease, or other disposition or encumbrance of property to the United States of America or any agency or instrumentality thereof, or the National Rural Utilities Cooperative Finance Corporation (CFC) and/or any other lending agencies, a member may vote by proxy executed in writing by the member. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting in which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated from the date of its execution. The presence of a member at a meeting of the members shall revoke a proxy therefore executed by him or her and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if he or she had not executed a proxy.

(b) Members may vote by mail ballot on matters approved by the Board of Directors.

Section 6. Order of Business:

The order of business at the Annual Meeting of the Member and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting;

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

ARTICLE IV DIRECTORS

Section 1. General Powers:

The business and affairs of the Cooperative shall be managed by a board of ten (10) directors which shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

Section 2. Election and Tenure of Office:

Each director shall serve for a term of three (3) years. Each year, three (3) directors shall be so elected by secret ballot, except in 1963 and every third year thereafter four (4) directors shall be so elected by and from the members to serve for a period of three (3) years or until their successors shall have been elected and shall have qualified, the present terms of directors having been established so that three (3) expire each year, except every third year four (4) expire. If an election of directors shall not be held during the time designated for the election, or at any adjournment thereof, a special election of the members shall be held for the purpose of electing directors within a reasonable time thereafter. Directors may be elected by a plurality vote of the members, provided, however, that not more than two (2) of such directors shall be elected from any one county served by the Cooperative.

Section 3. Qualifications:

No person shall be eligible to become or remain a director of the Cooperative who:

- (a) has not been a member for at least six months.
- (b) is not a bona fide resident in the area served.
- (c) holds an elective public office in connection with which a salary is paid, or
- (d) or in any way employed by or financially interested in any competing enterprise or business selling electric energy or supplies to the Cooperative.
- (e) is a current or former employee or a retained professional within three (3) years from his or her last date of employment or final service date for retained professional services.

Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director from office. Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 4. Nominations:

It shall be the duty of the Board of Directors to appoint, not less than one hundred twenty (120) days before the date of a meeting of the members at which directors are to be elected, a committee on

nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected from different geographical regions of the service area of the Cooperative so as to ensure equitable representation.--No member of the Board of Directors may serve on such committee. The committee, keeping in mind the principle of geographical representation, shall prepare and post at the principal office of the Cooperative at least seventy five (75) days before the meeting a list of nomination for directors which may include a greater number of candidates than are to be elected. One percent (1 percent) or more members acting together may make other nominations by petition not less than forty five (45) 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 with the notice of the meeting or separately, but at least (10) ten days before the date of the election, a statement of the number of directors to be elected and the names and addresses of the candidates, specifying separately the nomination made by the committee on nomination and also the nominations made by petition, if any. No member may nominate more than one candidate.

Section 5. Removal of Directors:

Any member may bring charges against a director and, by filing with the Secretary such charges in writing together with a petition signed by at least ten percentum of the members, may request removal of such director by reason thereof. Such director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him or her shall have the same opportunity. The question of the removal of such directors shall be considered and voted upon by mail ballot at the meeting of the members and any vacancies caused by the removal of a director or directors pursuant to this Section 5 shall be filled at a special election conducted as provided in Article III, Section 2, without compliance with the foregoing provisions with respect to nominations, provided, however, that the new director must reside in the same county as the director in respect of whom the vacancy occurs.

Section 6. Vacancies:

Subject to the provisions of these Bylaws with respect to the removal of directors, vacancies occurring on the Board of Directors shall be filled by a majority vote of remaining directors and directors thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified. The member elected to fill the directors vacancy must reside in the same county as the director to whose office he or she succeeds.

Section 7. Compensation:

Directors shall not receive any salary for their services as director, except that by resolution of the Board of Directors a fixed sum may be allowed for attendance at each meeting of the Board of Directors and other meetings, conferences, or training programs on Cooperative business. No director shall receive compensation for serving the Cooperative in any other capacity, other than he or she shall be entitled to participate in the insurance programs adopted by the Cooperative. No close relative of a director shall receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by the Board of Directors or the service of such director or close relative shall have been certified by the Board of Directors as an emergency measure.

Section 8. Close Relative Defined:

As used in these Bylaws, “close relative” means a person who by blood or in law, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal.

Section 9. Indemnification:

(a) Indemnification Generally. The Cooperative shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact he or she 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 expenses (including attorneys’ fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Cooperative, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) Indemnification. Indemnification shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standards of conduct in Paragraph (a) above, considering also the success or nonsuccess of the defense on the merits and any other such independent information as may be deemed necessary to include, but not limited to advise of legal counsel. Such determination shall be made:

(1) By the Board of Directors; or

(2) By a vote of the members at the next annual meeting should the Board of Directors deny indemnification, and the person or persons seeking indemnification request members vote thereon within 15 days following a negative vote from the Board of Directors.

(3) A decision by the Board is final unless review by the members is requested in which case a vote of the members is final.

(c) Indemnification of Expenses Prior to Conclusion of Action. Expenses incurred by a directors, officer, employee, or agent in defending a civil or criminal action, suit, or proceeding may be paid by the Cooperative in advance of the final disposition of such action, suit, or proceeding upon receipt of a written commitment by or on behalf of such director, officer, employee, or agent to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Cooperative as authorized in this section.

(d) Indemnification Not Exclusive. The indemnification and advancement of expenses provided or granted herein shall not be deemed exclusive of any other rights which those seeking indemnification or advancement of expenses may be entitled, both as to action in his official capacity and as to action in another capacity while holding such office.

(e) Continuation of Indemnification. The indemnification and advancement of expenses provided by, or granted herein, shall, unless otherwise provided when authorized or ratified, continue as to a

person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.

(f) Insurance. The Cooperative may purchase insurance to cover the indemnification allowed by this section.

ARTICLE V

MEETING OF DIRECTORS

Section 1. Regular Meetings:

A regular meeting of the Board of Directors shall be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in Franklin County, Arkansas (or other selected location as per Section 5 of Article V), as the Board of Directors may provide by resolution. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 2. Special Meeting:

Special meetings of the Board of Directors may be called by the President or by any three directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the director calling the meeting shall fix the time and place (which shall be in Franklin County, Arkansas, or other selected location as per Section 5 of Article V), for the holding of the meeting.

Section 3. Notice of Directors Meetings:

Written notice of the time and place and purposes of any special meeting of the Board of Directors shall be delivered to each director not less than five days previous thereto either personally or by mail or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his or her address as it appears on the records of the Cooperative, with postage thereon prepaid.

Section 4. Quorum:

A majority of the Board of Directors shall constitute a quorum, provided, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and provide further, that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of a majority of the directors present at a meeting at which a quorum is present, shall be the act of the Board of Directors.

Section 5. Other Meeting Locations:

The Board of Directors may, by unanimous consent, select a location for regular or special board meetings outside of Franklin County, which unanimous consent shall be made a part of the board minutes.

ARTICLE VI

OFFICERS

Section 1. Number:

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

Section 2. Election and Term of Office:

The officers shall be elected by ballot, annually, by and from the Board of Directors at the meeting of the Board of Directors held immediately after the Annual Meeting of the Members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as practical. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding Annual Meeting of the Members or until their successors shall have been elected and shall have qualified, provided, however that the President, Vice President, and Secretary-Treasurer shall not be elected for nor serve more than two (2) consecutive terms of one (1) year each. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by Directors:

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby. In addition, any member of the Cooperative may bring charges against an officer, and by filing with the Secretary such charges in writing together with a petition signed by ten percent of the members may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charge at least ten days prior to the board meeting at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him or her shall have the same opportunity.

Section 4. President: The President shall;

(a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board of Directors, shall preside at all meetings of the members and the Board of Directors;

(b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members, 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 and by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

(c) in general perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5. Vice President;

In the absence of the President, or in the event of the President's 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 rights and obligations of the President. The Vice President shall also perform such other duties as from time to time may be assigned by the Board of Directors.

Section 6. Secretary: The Secretary shall;

(a) keep the minutes of the meetings of the members and of 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 affix the seal of the Cooperative to all certificates of memberships 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 names and post office addresses of all members;
- (e) sign, with the President, certificates of membership, the issue of which shall have been authorized by the Board of Directors or the members;
- (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 Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member). The Secretary will make available or cause to be made available a copy of the Bylaws to any member upon request.
- (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors.

Section 7. Treasurer: The Treasurer shall;

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

Section 8, Bonds of Officers;

The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall 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.

Section 9, Compensation;

The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, subject to the provisions of these Bylaws.

Section 10, Reports;

The officers of the Cooperative shall submit at each Annual Meeting of the Members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII

NON-PROFIT OPERATION

Section 1, Interest or Dividends on Capital Prohibited;

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

Section 2, Patronage Capital in Connection with Furnished Electric Energy;

- (a) 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 non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons and to declare a

patronage dividend to its patrons in an amount equal to the Cooperative's federal taxable income with respect to the furnishing of electric energy (computed before the reduction for patronage dividends paid by the Cooperative and after reduction for any losses to be taken into account in accordance with paragraph (f) of this Section 2). All such amounts in excess of the federal taxable income 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 assign by credits to a capital account for each patron all such amounts with such amounts being allocated among its patrons based upon the value of the business done by such patrons, as determined by the Board of Directors. 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 their account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

- (b) All other amounts received by the Cooperative from its operations in excess of costs and expense shall, insofar as permitted by law, be
 - i. used to offset any losses incurred during the current or any prior fiscal year and
 - ii. 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.
- (c) 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 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 of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.
- (d) 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 part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.
- (e) Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his or her estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general

application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

- ⊕ The Board of Directors shall have complete discretion and authority to determine the handling and ultimate disposition of the Cooperative's patronage sourced losses, as well as the form, priority and manner in which such losses or portions thereof shall be taken into account, retained and ultimately disposed of or recovered. Without limiting the generality of the foregoing, the Board of Directors may determine to cause any such patronage losses to be retained by the Cooperative and subsequently disposed of by: (i) offset against net earnings of the Cooperative in one or more subsequent years; (ii) application to the patronage allocations of the Cooperative for one or more prior years through offset and cancellation against patrons' capital credits or other equity account balances; (iii) any other method disposition (or combination of methods) as the Board of Directors, in its sole discretion, shall determine from time to time to be in the Cooperative's best interest.
- ⊕ In the event that patronage capital shall be unclaimed by any member for a period of four (4) years from the date same was declared payable by the Cooperative such patronage capital shall be considered donated capital of the Cooperative and such member shall no longer be entitled thereto.
- (h) 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.

ARTICLE VIII

DISPOSITION AND PLEDGING OF PROPERTY; DISTRIBUTION OF SURPLUS ASSETS ON DISSOLUTION

- (a) Not inconsistently with section (b) hereof, the Cooperative may authorize the sale, lease, lease-sale, exchange, transfer or other disposition of all or substantially all of the Cooperative's properties and assets only upon the affirmative votes of two-thirds of the then-total members of the Cooperative at a duly held meeting of the members. However, the Board of Directors shall have full power and authority (1) to borrow monies 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 properties or assets as security therefore, and (3) to lease, lease-sell, exchange, transfer or otherwise dispose of merchandise, property no longer necessary or useful to the operation of the Cooperative, or less than substantially all of the Cooperative's properties and assets.
- (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 substantially all of the Cooperative's properties 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) appraisers shall be designated by a Circuit Court Judge for the Judicial District in Arkansas 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 an entity having a contractual right to do so an opportunity to submit a competing proposal. It shall next give every other electric cooperative corporately sited and operating in Arkansas and each adjoining state (which has not made such an offer for sale, lease, lease-sale, exchange, transfer or other disposition) and national Rural Utilities Cooperative Finance Corporation an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to each such entity, 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 entity 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 adopt a resolution recommending the sale and directing the submission of the proposal to a vote of the members at a duly held member meeting and 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 10 days nor more than 20 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 10 days nor more than 20 days after the giving of notice of such meeting.
- (4) At least ten (10) percent of the Members, by so petitioning the Board not less than twenty (20) 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 had 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 electric cooperatives or if the substantive or actual legal effect thereof is to merge or consolidate with

such other one or more electric cooperatives, or National Rural Utilities Cooperative Finance Corporation.

ARTICLE IX

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, Arkansas".

ARTICLE X

FINANCIAL TRANSACTIONS

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 and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2, Checks, Drafts, etc.;

All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed 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;

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

Section 4, 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 5. Borrowing Money;

The Board of Directors shall determine by two-thirds vote the debt limit of this Cooperative and may thereafter borrow money and pledge the assets of this Cooperative for any sums they find proper so long as it does not exceed the debt limit so determined.

ARTICLE XI

MISCELLANEOUS

Section 1, Waiver of Notice;

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

Section 2, Rules and Regulations;

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

Section 3, Accounting System and Reports;

The Board of Directors shall cause to be established and maintain a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory

body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of United States of America. 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. Reports of such audit shall be submitted to the members at the next following annual meeting.

Section 4. Chief Executive Officer;

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

ARTICLE XII

AMENDMENTS

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