

**BYLAWS  
OF  
OZARKS ELECTRIC COOPERATIVE CORPORATION**

**ARTICLE I  
MEMBERS**

**SECTION 1. Qualifications and Obligations.** Any person, firm, association, corporation or body politic who becomes a member of the Ozarks Electric Cooperative Corporation (hereinafter called the Cooperative) agrees:

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

(b) to comply with and be bound by the Articles of Incorporation of the Cooperative and these Bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors.

(c) that all member disputes with the cooperative, to the extent not subject to the jurisdiction of the applicable regulatory commission of the State where the dispute arose, or the member is located, shall, with the exception of collection cases, and eminent domain be resolved by binding arbitration in accordance with the rules of and before the American Arbitration Association; and

(d) that the member waives his/her-their/its right to bring or participate in class action proceedings against the cooperative.

(e) Grant of Property Rights. As a result of applying for and becoming a member of the Cooperative, the member thereby, as required by the Cooperative for a Cooperative Purpose, (1) agrees to provide the Cooperative safe and reliable access to or use of the member's property and (2) pursuant to terms and conditions specified by the Cooperative, and without monetary compensation from the Cooperative, grants, bargains, sells and conveys to the Cooperative an easement and right-of-way over, across and under property then or thereafter owned, leased by or to, or mortgaged to, the member. A Cooperative Purpose is at any time, and in a manner determined reasonable by the Cooperative (1) installing, constructing, inspecting, monitoring, operating, repairing, maintaining, removing, relocating, upgrading or replacing Cooperative equipment, (2) clearing, trimming, removing or managing any vegetation, (3) providing a Cooperative service to a member or one or more other members, (4) authorizing, permitting, satisfying or facilitating an obligation incurred, or right granted, by the Cooperative regarding use of Cooperative equipment and (5) safely, reliably and efficiently operating the Cooperative or providing a Cooperative service.

**SECTION 2. Membership Fee.** The Cooperative shall not charge a fee for membership.

**SECTION 3. 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 application for membership, and shall pay monthly rates which shall from time to time be fixed by the Board of Directors. 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.

**SECTION 4. Non-Liability for Debts of the Cooperative.** The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

**SECTION 5. Withdrawal of Membership.** Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

**SECTION 6. Transfer and Termination of Membership.**

(a) Membership in the Cooperative shall not be transferable, except as hereinafter provided, and upon the death, cessation of existence, expulsion, or withdrawal of a member the membership of such member shall thereupon terminate.

The membership of a member who has not purchased electric energy from the cooperative, 120 days after service is available to him or her, shall hereupon terminate. The membership of a member who has ceased to purchase energy from the Cooperative shall terminate immediately. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Cooperative.

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

(c) When a membership is held jointly by a husband and wife, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

**ARTICLE II  
MEETING OF MEMBERS**

**SECTION 1. Annual Meeting.** The Annual Meeting of the members shall be held every year at Fayetteville, in the County of Washington, State of Arkansas, at such time and date as shall be designated in the notice of the meeting for the purpose of electing directors, passing upon reports covering the previous fiscal year and transacting such business that may come before meeting.

**SECTION 2. Special Meetings.** Special meetings of the members may be called by at least three (3) directors or upon a written request signed by at least ten per centum (10%) of all the members and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the County of Washington in the State of Arkansas specified in the notice of the special meeting.

**SECTION 3. Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

**SECTION 4. Quorum.** That at all meetings of the members fifty (50) present or voting shall constitute a quorum for the transaction of business and to elect directors of said corporation.

**SECTION 5. Voting.** Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members all questions shall be decided by a vote of a majority of the members voting thereon except as otherwise provided by the law, the Articles of Incorporation of the Cooperative; or these Bylaws. If a husband and wife hold a joint membership they shall jointly be entitled on one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

**SECTION 6. Mail Voting.** Any member who is absent from an annual meeting or special meeting of the members may vote by mail at such meeting upon all matters to be submitted at such meeting, including the election of directors and also including any motion or resolution pertaining to the borrowing of funds or mortgaging or encumbering of the Cooperative's property, except that in the case of resolution establishing the aggregate limit of authority to borrow, voting shall be only by proxy or in person. The Secretary shall be responsible for the enclosure with the notice of such meeting of an exact copy of all such motions or resolutions to be acted upon and ballots for the election of directors. Members shall express their vote thereon by placing a cross (x) in the space provided opposite each such motion or resolution or candidate. Members shall enclose each such copy so marked in a sealed envelope bearing their name and addressed to the Secretary. When such written vote so enclosed is received by mail from the member, it shall be counted as the vote of such member at such meeting. In case of a joint membership, a written vote received from either of them shall constitute a joint vote. The failure of a member to receive a copy of any such ballot shall not invalidate any action which may be taken by the members at any such meeting. The Board shall establish a procedure for voting for directors by mail so that each member will receive the ballot in sufficient time for it to be marked and returned by the time for the annual meeting.

No motion or resolution shall be voted upon except in the manner provided in this Section. Any member who desires to submit a proposal to the meeting shall submit a copy thereof to the Secretary within the time specified in Article III, Section 3 for nominating a director, and the Secretary shall place such proposal on the ballot together with any other matters to be voted on.

**SECTION 7. Order of Business.** The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members shall be essentially as follows:

1. Report on the number of members present in person and voting by mail.
2. Report of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereof.
4. Presentation and consideration of, and acting upon, reports of officers, directors, and committees.
5. Report on election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

### ARTICLE III DIRECTORS

**SECTION 1. General Powers.** The business and affairs of the Cooperative shall be managed by a board of seven (7) directors which shall exercise all of the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by the Bylaws conferred upon or reserved to the members. The Board of Directors is authorized to communicate information concerning the Cooperative to members by mail, magazine or otherwise.

**SECTION 2. Qualifications and Tenure.** A person shall be eligible to become or remain a Board member of the Cooperative provided such person:

- (a) Is a member in good standing of the Cooperative; and
- (b) Receives service at the members primary residence within the district (as defined in Article III, Section 9) which he/she is elected to represent; and
- (c) Is not employed by or financially interested in a competing enterprise or business selling electric energy to the Cooperative; and

(d) Not currently be nor shall have been employed by the Cooperative or any other electric utility at any time during the five (5) years immediately prior to the date of the election for such directorship; and,

(e) Not have a spouse who is currently employed by or has been employed by the Cooperative or any other electric utility at any time during the five (5) years immediately prior to the date of the election for such directorship.

(f) Not be nor have a spouse who is in any way employed by or directly financially interested in a competing enterprise or business selling electric energy or supplies to the Cooperative

(g) Not have been convicted of a felony or misdemeanor which misdemeanor involves dishonesty within the ten (10) years prior to the date of the election unless the candidate has received a pardon for such conviction;

(h) Not have been convicted of a felony or misdemeanor which misdemeanor involves dishonesty while serving as a director;

(i) Attends a majority of all board meetings (unless excused by the Board of Directors for good cause) during any twelve (12) consecutive month period; and

(j) Meets the residency requirements of this Section.

Upon it being determined that a director fails to meet anyone one (1) or more of the qualifications set forth in this Section, then the director shall immediately be removed from the Board without any action or vote being necessary.

Members of the Board shall be elected by secret ballot by mail. Board members may be elected by a plurality vote of the members.

Each Board member shall represent one of the seven districts described in Section 9 of the Article.

The Board member representing District 5 shall be elected at the annual meeting held in 2011 and at the annual meeting held each seven years thereafter.

The Board member representing District 4 shall be elected at the annual meeting held in 2012 and at the annual meeting held each seven years thereafter.

The Board member representing District 7 shall be elected at the annual meeting held in 2013 and at the annual meeting held each seven years thereafter.

The Board member representing District 3 shall be elected at the annual meeting held in 2007 and at the annual meeting held each seven years thereafter.

The Board member representing District 2 shall be elected at the annual meeting held in 2008 and at the annual meeting held each seven years thereafter.

The Board member representing District 1 shall be elected at the annual meeting held in 2009 and at the annual meeting held each seven years thereafter.

The Board member representing District 6 shall be elected at the annual meeting held in 2010 and at the annual meeting held each seven years thereafter.

**SECTION 3. Nominations.** The Board of Directors shall appoint not less than forty-five (45) days nor more than sixty (60) days before the date of the meeting of the members at which directors are to be elected, a committee on nomination of not less than three (3) nor more than eleven (11) members, selected insofar as possible so as to give equitable representation on the committee to the geographical areas. No officer nor director of the Cooperative may serve on the committee on nominations. The committee on nominations shall prepare and post a list of its nominations not less than thirty (30) days before the date of the meeting of the members at the principal office of the Cooperative. A candidate may be nominated by a written petition signed not less than thirty (30) days before the date of the meeting of the members at the principal office of the Cooperative. A candidate may be nominated by a written petition signed by not less than one percent of the total membership of the Cooperative, such percentage of the total membership to be determined as of the date

of the most recent operating report of the Cooperative. All signatures must be members residing in the district which the candidate is to represent as described in Section 9 of this Article. All signatures shall be verified to be signatures of members residing in the district which the candidate is to represent as described in Section 9 of this Article. The Secretary shall post the same at the same place where the list of names nominated by the committee is posted.

Nominations by petition shall be received at the headquarters office in Fayetteville, Arkansas, not less than thirty (30) days nor more than sixty (60) days before the date of the meeting. Each member will be mailed with the official notice of the meeting, a statement of the number of directors to be elected and the number of the district which each is to represent, and showing separately the nominations made by petition, if any. The election of directors shall be by mail ballot and only those nominees selected by the nominating committee or by petition shall be on the ballot.

There shall be no nominations permitted from the floor.

#### **SECTION 4. Removal of Directors.**

(a) A Director may be removed for cause by the affirmative vote of a majority of the members.

(b) "Cause" for removal shall mean that the director is alleged to have committed an act or omission adversely affecting the business and affairs of the Cooperative and amounting to gross negligence, fraud or criminal conduct.

(c) No director shall be removed except upon certification that the following procedures have been followed:

(i) A written petition must be presented to the Board, which shall:

(a) Describe in detail each of the charges and the basis therefore. If more than one director is sought to be removed, individual charges for removal shall be specified.

(b) Be signed by a minimum of 25% of the members of the Cooperative within sixty (60) days of the date of the petition.

(ii) If the Board determines that the petition complies with paragraph (c) (i), and only if the Secretary certifies the authenticity of the petition, a meeting of the members shall be noticed in accordance with these Bylaws and shall be held within sixty (60) days after receipt by the Cooperative of the written petition.

(iii) At such meeting, evidence must be presented in support of the charges. The director shall be entitled to be represented by counsel and shall have the opportunity to refute such charges and present evidence in his or her defense before a vote of the members is taken.

(d) Nothing contained therein, however, shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

**SECTION 5. Vacancies.** Subject to the provisions of these Bylaws with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors and directors thus elected shall serve until the next annual meeting at which that Director position is next slated for election or until their successors shall have been elected and shall have qualified.

**SECTION 6. Compensation.** By resolution of the Board of Directors, compensation and expenses of attendance, if any, may be allowed for attendance at each meeting of the Board of Directors, for service to the Cooperative, and for official business of the Cooperative. Except in emergencies, 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 in any other capacity, unless such compensation shall be specifically authorized by a vote of the members.

**SECTION 7. 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 of the Cooperative or these Bylaws, as it may deem advisable for the management,

administration and regulation of the business and affairs of the Cooperative.

**SECTION 8. Accounting System and Reports.** The Board of Directors shall cause to be established and maintained a complete accounting system which, shall be subject to applicable laws and rules and regulations of any regulatory body. The Board of Directors shall, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books, and financial conditions of the Cooperative as of the end of such fiscal year. A report of such audit shall be submitted to the members at the following annual meeting.

**SECTION 9. Board Representation.** For the purpose of Board representation, the territory of the Ozarks Electric Cooperative Corporation shall be divided into the following districts:

**District #1** All of Madison County within Ozarks Electric service area which includes all or portions of OECC system maps 11, 20, 21, 22, 23, 24, 25, 36, 37, 38, 39, 40, 41, 42, 43, 54, 55, 56, 57, and 58. Also a portion of map 12 within Benton County, and portions of maps 11 and 12 which lie in Washington County. Also portions of maps 54 and 55 in Crawford County and portions of map 55, 56, 59, 60, and 61 which lie in Franklin County.

**District #2** An area of Washington County within Ozarks Electric service area which includes a portion of OECC system maps 13, and the portions of maps 14, 19 and 20 that lie east of I-49. Also, a portion of OECC service territory in Benton County that includes system maps 13 and the portion of map 14 east of I-49.

**District #3** An area of Washington County within Ozarks Electric service area which includes all or portions of OECC system maps 20, 21, 26, 27, 34, 35, 44, 45, 52, and 53. Also portions of maps 53, 62, and 63 which lie within Crawford County.

**District #4** An area of Washington County within Ozarks Electric service area which includes all or portions of OECC system maps 27, 28, 31, 32, 33, 34, 45, 46, 47, 48, 49, 50, 51, and 52. Also, a portion of map 63 that lies within Crawford County.

**District #5** An area of Washington County within Ozarks Electric service area which includes all of system maps 15, 17, 18, 29, and 30. Also portions of system maps 14 and 19 that lie west of I-49 in Washington County. And an area in Benton County that includes portions of system maps 15, 16, 17 and the portion of map 14 that lies west of I-49.

**District #6** An area of Ozarks Electric's Oklahoma service territory which includes all or portions of system maps 65, 66, 67, 68, 69, 70, 73, 74, and 75 which lie in Adair County and all or portions of system maps 64, 71, and 72 which lie in Cherokee County. Also all of Ozarks Electric's service territory which lies in Delaware County.

**District #7** An area of Adair County, Oklahoma, within Ozarks Electric service territory which includes all or portion of system maps 76, 77, 78, 83, 84, 85, 86, 87, and 88. Also all or portions of maps 79, 80, 81, 82, 89, and 90 which lie in Cherokee County and a portion of Ozarks Electric's service territory which lies in Sequoyah County

#### **SECTION 10. Indemnification.**

(a) Indemnification Generally. The corporation shall have 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 (including an action by or in the right of the corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation as a member, director, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit 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, conviction or upon a plea of nolo contendere or its equivalent, shall, of itself, create a presumption that the person did not act in good faith and in a manner which they reasonably believed

to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, has reasonable cause to believe that their conduct was unlawful.

(b) **Indemnification Following Successful Defense.** The extent that a member, director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Paragraph (a), or in defense of any claim issue or matter therein, he or she shall be indemnified against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection therewith.

(c) **Indemnification Under Other Circumstances.** Indemnification (other than under Paragraph (b) or as ordered by a court) shall be made by the Corporation only as authorized in the specific case upon determination that indemnification of the member, director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct in Paragraph (a).

Such determination shall be made:

(1) By the Board of Directors by a majority vote of a quorum consisting of directors who were not parties of such action, suit or proceedings; or

(2) If such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or

(3) By the members.

(d) **Indemnification of Expenses Prior to Conclusion of Action.** Expenses incurred by member, officer or director in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such member, director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation as authorized in this section. Such expenses incurred by other employees and agents may be so paid upon such terms and condition, if any, as the Board of Directors deems appropriate.

(e) **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 or her official capacity and as to action in another capacity while holding such office.

(f) **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 member, director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

#### ARTICLE IV MEETING OF DIRECTORS

**SECTION 1. Regular Meetings.** A regular meeting of the Board of Directors shall be held without notice other than this Bylaw, immediately after, and at the same place as the annual meeting of the members. A regular meeting of the Board of Directors shall also be held on the fourth Wednesday of each calendar month, and shall take place in Washington County, Arkansas, unless specified otherwise. The regular meeting date and/or meeting location may be changed by a poll of the Board of Directors, in advance, when the majority is in agreement. **SECTION 2. Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them.

**SECTION 3. Notice.** Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given by written notice, delivered personally or mailed to each director at his or her last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid.

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

**SECTION 5. Remote Meetings.** Upon consent or agreement of a majority of the Directors, any regular or special meetings of the entire Board or any committee of the Board may meet remotely by any means of conference telephone or other communications equipment by means of which all persons participating can simultaneously hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting.

#### ARTICLE V OFFICERS

**SECTION 1. Number.** The officers of the Cooperative shall be Chairman, Vice-Chairman, Secretary, 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 annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall be held as soon thereafter as conveniently may be. 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 his or her successor shall have been duly elected and shall have qualified.

**SECTION 3. Chairman.** The Chairman:

(a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and the Board of Directors;

(b) shall sign, with the Secretary, 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, nor shall be required by law to be otherwise signed or executed; and

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

**SECTION 4. Vice Chairman.** In the absence of the Chairman, or in the event of his or her disability or refusal to act, the Vice Chairman shall perform the duties of the Chairman, and when so acting, shall have all the powers of and be subject to all the restriction upon the Chairman and shall perform such other duties as from time to time may be assigned to him or her by the Board of Directors.

**SECTION 5. Secretary.** The Secretary shall be responsible for:

(a) the minutes of meetings of the members and the Board of Directors in one or more books provided for the purpose;

(b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;

(c) the safekeeping of the corporate records and of the seal of the Cooperative and that the seal of the Cooperative is affixed to documents, the execution of which on behalf of the Cooperative under the seal is duly authorized in accordance with the provisions of these Bylaws;

(d) a register of the post office address of each member which shall be furnished to the Secretary by such member;

(e) general charge of the books of the Cooperative in which a record of the members is kept;

(f) keeping on file at all times a complete copy of the Bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member and at the expense of the Cooperative forward a copy of the Bylaws and of all amendments thereto each member upon request;

(g) in general all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the Board of Directors.

**SECTION 6. President.** The Board of Directors may appoint a President who may be, but who shall not be required to be, a member of the cooperative. The President shall perform such duties as the Board of Directors may from time to time require of him or her, and shall have such authority as the Board of Directors may from time to time vest in him or her.

**SECTION 7. Bond of Officer.** The Board of Directors, in its discretion, may require officers, agents or employees of the Cooperative to give bond in such amount and with such surety as it shall determine.

**SECTION 8. Compensation.** The compensation, if any, of any officer, or agent or employee who is also a director or close relative of a director, shall be determined by the members, as provided elsewhere in these Bylaws, and the powers, duties and compensation of any other agents and employees shall be fixed by the Board of Directors.

**SECTION 9. Reports.** The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

## ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

**SECTION 1. Contracts.** Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and 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, or invested as the Board of Directors may direct.

## ARTICLE VII NONPROFIT OPERATION

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

**SECTION 2. Patronage Capital in Connection with Patronage Business.** (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 nonprofit basis the Cooperative is obligated to account on a patronage basis, to all its patrons and to declare a patronage dividend in an amount equal to the Cooperative's federal taxable income with respect to the furnishing of electric energy done with or for its patrons (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 (b) of this Section 2(a)). The Cooperative is obliged to pay by credits to a capital account for each patron all such amounts. 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. 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 of capital.

(b) The Cooperative's 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 sourced losses to be retained by the Cooperative and subsequently disposed of (i) by offset against net earnings of the Cooperative in one or more subsequent years, (ii) by application to the patronage allocations of the Cooperative for one or more prior years through offset and cancellation against members' capital credits or other equity account balances, or (iii) by any other method of 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.

(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 a prorata 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. Retirements of capital may be made in any order determined by the Board of Directors.

(d) 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. The Board of Directors may elect to reallocate such donated capital to existing member's patronage capital from time to time.

(e) 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 serviced by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

(f) 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.

**SECTION 3. Patronage Refunds in Connection with Furnishing Other Service.** In the event that the Cooperative should engage in the

business of furnishing goods and services other than electric energy, all patronage sourced net taxable income received and receivable with respect to the furnishing of such goods or services shall, insofar as permitted by law, be annually allocated on a patronage basis and returned to those patrons from whom such amounts were obtained in the form of capital credits which may be redeemed as set forth in Section 2(e) above.

**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 moneys from any source and in such amounts as the Board may from time to time determine; (2) to mortgage or otherwise pledge or encumber any or all of the Cooperative's properties or assets as security therefor, 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, change, transfer or other disposition, it shall first cause three (3) independent, non-affiliated appraisers, expert in such matters, to render their individual opinions as to the value of the Cooperative with respect to such a sale, lease, lease-sale, exchange, transfer or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a 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 holding 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 nor more than (the limit set by law or the Bylaws) 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 nor more than (the limit set by law or the Bylaws) days after the giving of notice of such meeting.

(4) Any fifty (50) or more 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 cooperative 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.

**Distribution of Surplus Assets on Dissolution.**

Upon the Cooperative's dissolution, any assets remaining after all liabilities or obligations of the cooperative have been satisfied and discharged shall, to the extent practicable as determined by the Board of Directors, not inconsistently with the provisions of Arkansas law and of these Bylaws, be distributed without priority but on a patronage basis among all persons who are or have been members of the Cooperative during the seven years next preceding the date of filing of the certificate of dissolution; PROVIDED, HOWEVER, that, if in the judgment of the Board, the amount of such surplus is too small to justify the expense of making such distribution, the Board may, in lieu thereof, donate, or provide for the donation of, such surplus to one or more nonprofit charitable or educational organizations that are exempt from Federal income taxation.

**ARTICLE IX  
FISCAL YEAR**

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

**ARTICLE X  
SEAL**

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

**ARTICLE XI  
AMENDMENTS**

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

Revised 05-26-2021  
Revised 07-25-2018  
Revised 03-01-2018  
Revised 01-24-2018