

BYLAWS

Of The

**SOUTHWEST
ARKANSAS
ELECTRIC
COOPERATIVE
CORPORATION**

**2904 E 9th STREET
TEXARKANA, ARKANSAS 71854**

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**ARTICLE I
MEMBERSHIP**

SECTION 1.01 – ELIGIBILITY – Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision thereof, or any body politic (each hereinafter referred to as “person,” “applicant,” “him” or “his”) shall be eligible to become a member of, and, at one or more premises owned or directly occupied or used by him, to receive electric service from Southwest Arkansas Electric Cooperative Corporation (hereinafter called “Cooperative”). No member shall hold more than one membership in the Cooperative. In these bylaws, if indicated by its immediate context, a masculine pronoun may include the feminine and neuter genders or either of them.

SECTION 1.02 – APPLICATION FOR MEMBERSHIP; RENEWAL OF PRIOR APPLICATION – Each applicant shall make an application, written or verbal, for membership wherein the applicant shall agree to purchase electric power and energy from the Cooperative and to be bound by and to comply with all of provisions of the Cooperative’s Articles of Incorporation and Bylaws, and all rules, regulations, policies, procedures, and rate schedules established pursuant thereto, as all the same then exist or may thereafter be adopted or amended (the obligations embraced by such agreement being hereinafter called “membership obligations”) The payment of a membership fee and the receiving of service shall constitute the applicant’s acceptance of the membership obligations. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor by the Cooperative. The membership application shall be accompanied by the membership fee provided for in Section 1.03 (together with any service security deposit, service connection deposit or fee, facilities extension deposit, prepayment, or contribution in aid of construction, that may be required by the Cooperative), which fee (and such service security deposit, service connection deposit or fee facilities extension deposit, prepayment, or contribution in aid of construction, if any) shall be refunded in the event the application is not approved. Any former member of the Cooperative may, by the sole act of paying a new membership fee and any outstanding account plus accrued interest thereon at the state legal rate on judgments in effect when such account first became overdue, compounded annually (together with any service security deposit, service connection deposit or fee, facilities extension deposit, prepayment, or contribution in aid of construction that may be required by the Cooperative), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.

SECTION 1.03 – MEMBERSHIP FEE; SERVICE SECURITY AND FACILITIES DEPOSITS; PREPAYMENT; CONTRIBUTION IN AID OF CONSTRUCTION - 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 1.04 – JOINT MEMBERSHIP – The application for membership by either a husband or a wife shall, unless specified otherwise by the applicant, be considered an application for joint membership and, subject to their compliance with the requirements set forth in Section 1.01, they may be accepted for such membership. The term “member” as used in these by laws 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 holder of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect to the holders of a joint membership shall be as follows:

- (a) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting.
- (b) the vote of either or both shall constitute, respectively, one joint vote: PROVIDED, that if both be present but in disagreement on such vote, each shall cast only one-half (1/2) vote,
- (c) notice to, or waiver of notice signed by either or both, shall constitute, respectively, a joint notice or waiver of the joint membership
- (d) suspension or termination in any manner of both shall constitute, respectively, suspension or termination of notice,
- (e) either, but not both concurrently, shall be eligible to serve as a director of the Cooperative, but only if both meet the qualifications required therefor, and
- (f) neither will be permitted to have any additional service connections except through their one joint membership.

SECTION 1.05 – ACCEPTANCE INTO MEMBERSHIP
Upon complying with the requirements set forth in Sections 1.02 and 1.03, any applicant shall by Board resolution be accepted into membership in and become eligible to receive electric service from the Cooperative, unless the Board of Directors shall determine that such applicant is not willing or is not able to satisfy and abide by the Cooperative’s terms and conditions of membership or that such application shall be rejected for other good cause: PROVIDED, that any person

whose application, for sixty (60) days or longer, has been submitted to but not approved by the Board of Directors, may, by filing written request therefor with the Cooperative at least (30) days prior to the next meeting of the members, have his application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

SECTION 1.06-PURCHASE OF ELECTRIC POWER AND ENERGY; POWER PRODUCTION BY MEMBER; APPLICATION OF PAYMENTS TO ALL

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

SECTION 1.07 – EXCESS PAYMENTS TO BE CREDITED AS MEMBER-FURNISHED CAPITAL – All amounts paid for electric service in excess of the cost thereof shall be furnished by members as capital, and each member shall be credited with the capital so furnished as provided in Article IX of these bylaws.

SECTION 1.08 – WIRING OF PREMISES: RESPONSIBILITY THEREFOR; RESPONSIBILITY FOR METER TAMPERING OR BYPASSING AND FOR DAMAGE TO COOPERATIVE PROPERTIES; EXTENT OF COOPERATIVE RESPONSIBILITY; INDEMNIFICATION-

Each member shall cause all premises receiving electric service pursuant to his membership to become and to remain wired in accordance with the specifications of the 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 all 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 best efforts to prevent others from so doing. Each member shall also provide such protective devices to his premises, apparatuses, or meter base as the Cooperative shall from time to time require in order to protect the Cooperative’s physical facilities and their operation and to prevent any interference with or damage to such facilities. In the event such facilities are interfered with, impaired 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, except in the case of standby generation serving multiple service points as specified by the Cooperative’s service rules and regulations. The Cooperative shall, however, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Cooperative’s billing procedures.

SECTION 1.09 – MEMBER TO GRANT EASEMENTS TO COOPERATIVE AND TO PARTICIPATE 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 easement or right-of-way over, on, and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to him or 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.

SECTION 1.10 – NON-LIABILITY FOR DEBTS OF THE COOPERATIVE – The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative, and no member shall be liable or responsible for any debts or liabilities of the Cooperative except as allowed by the provisions of these Bylaws.

ARTICLE II

MEMBERSHIP SUSPENSION AND TERMINATION AND REPAYMENT OF FEES, DIVIDENDS, AND CLAIMS

SECTION 2.01 – SUSPENSION; REINSTATEMENT -
Upon his failure, after the expiration of the initial time limit prescribed either in a specific notice to him or in the Cooperative's generally publicized applicable rules and regulations, to pay any amounts due the Cooperative or to cease any other non-compliance with his membership obligations, a person's membership shall automatically be suspended, and he shall not during such suspension be entitled to receive electric service from the Cooperative or to cast a vote at any meeting of the members. Payment of all amounts due the Cooperative, including any charges required for such reinstatement, and/or cessation of any other noncompliance with his membership obligations within the final time limit provided in such notice or rules and regulations shall automatically reinstate the membership, in which event the member shall thereafter be entitled to receive electric service from the Cooperative and to vote at the meetings of its members.

SECTION 2.02 – TERMINATION BY EXPULSION; RENEWED MEMBERSHIP – Upon failure of a suspended member to automatically be reinstated to membership, as provided in Section 2.01, he may, without further notice, but only after due hearing if such is requested by him, be expelled by the Board of Directors at any subsequently held regular or special meeting of the Board. Any person, so expelled may, by delivering written notice to that effect to the Cooperative at least ten (10) days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which later event such person's membership shall be reinstated retroactively to at least the date of his expulsion. After any finally effective expulsion of a member, he may not again become a member except upon new application therefor duly approved as provided in Section 1.05. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicants' compliance with all his membership obligations.

SECTION 2.03 – TERMINATION BY WITHDRAWAL OR RESIGNATION – A member may withdraw from membership upon such generally applicable conditions as the Board of Directors shall prescribe and upon either:

- (a) ceasing to (or, with the approval of the Board of Directors, resigning his membership in favor of a new applicant who also shall) own or directly occupy or use all premises being furnished electric service pursuant to his membership, or
- (b) except when the Board of Directors specifically waives such condition, abandoning totally and permanently the use of central station electric service on such premises.

The membership of a member who for a period of six months after service is available to him does not purchase electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled.

SECTION 2.04 – TERMINATION BY DEATH OR CESSATION OF EXISTENCE; CONTINUATION OF MEMBERSHIP IN REMAINING OR NEW PARTNERS –

Except as provided in Section 2.06, the death of an individual human member shall automatically terminate his membership. The cessation of the legal existence of any other type of member shall automatically terminate such membership: PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal, or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner, and as to the same effect, as though such membership had never been held by different partners: PROVIDED FURTHER, that neither a withdrawing partner nor his estate shall be released from any debts then due the Cooperative.

SECTION 2.05 – EFFECT OF TERMINATION – Upon the termination in any manner of a person's membership, he or his estate, as the case may be, shall be entitled to refund of his membership fee (and to his service security deposit, if any, theretofore paid the Cooperative), less any amounts due the Cooperative; but neither he nor his estate, nor any former partner of a partnership member or his estate, as the case may be, shall be released from any debts or other obligations then remaining due the Cooperative. Notwithstanding the suspension or expulsion of a member, as provided for in Sections 2.01 and 2.02 such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from his membership obligation as to entitle him to purchase from any other person any central station electric power and energy for use at the premises to which such service had theretofore been furnished by the Cooperative pursuant to such membership.

SECTION 2.06 – EFFECT OF DEATH, LEGAL SEPARATION, OR DIVORCE UPON A JOINT MEMBERSHIP – Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the estate of the deceased shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders

of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the other spouse shall not be released from debts due the Cooperative.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 3.01 – ANNUAL MEETING – The annual meeting of members shall be held in March as such time and place as may be designated by resolutions of the Board of Directors from time to time with notice of such meetings being given designating the time and place of such meeting. The purposes of the annual meeting shall be electing directors, passing on 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. If the day set for the annual meeting shall fall on a legal holiday, such meeting shall be held on the next succeeding business day. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 3.02 – SPECIAL MEETINGS – Special meetings of the members may be called by resolution of the Board of Directors or upon a written request signed by any three (3) Directors, by the Chairman of the Board, or by ten per centum (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 Miller, 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, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion of the property of the Cooperative. Voting by members present and in person shall be required, and voting by proxy shall not be allowed, at such special meeting.

SECTION 3.03 – NOTICE OF MEMBERS' MEETINGS – 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 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, or upon a default in duty by the Secretary, by the persons calling meeting, 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 thereupon 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 3.04 – QUORUM – Twenty per centum (20%) of the total number of the members of the Cooperative present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members so long as the number of members does not exceed three hundred (300). In case the total number of members exceeds three hundred (300), then and in such case, one hundred fifty (150) members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members.

Notwithstanding the foregoing paragraph, two-thirds of the total number of members of the Cooperative present in person shall constitute a quorum at any meeting of members at which any proposal to sell, mortgage, lease, or otherwise dispose of or encumber all or any substantial portion of the property of the Cooperative is to be considered, acted, or voted upon.

SECTION 3.05 – VOTING – Each member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members at which a quorum is present. Except as otherwise provided in these Bylaws, all questions shall be decided by a vote of a majority of the members present in person or represented by proxy. The election of directors shall be by ballot, and each member shall have the right to cast one vote for each director to be elected at such election. The candidates receiving the highest number of votes shall be elected for the term specified in Section 4.02 of Article IV of these Bylaws.

SECTION 3.06 – PROXIES –

- (a) At each meeting of the membership every member of the Cooperative having a right to vote shall be entitled to vote in person or by proxy executed by the member and bearing date not more than thirty (30) days prior to said meeting. Any mailed proxies not otherwise dated shall be deemed dated as postmarked if the postmark is satisfactorily evidenced. For the purposes of these Bylaws, a proxy is defined as a written instrument, with power of substitution, prepared and provided by the Cooperative.
- (b) All proxies shall be in writing.
- (c) No proxy may be used at any meeting of members unless the same shall have been received at the Cooperative headquarters office in Texarkana, Arkansas, at the Cooperative's Post Office Box, or at the Post Office box designated on the proxies on or before 12:00 noon on the first business day preceding the meeting for which the proxy or proxies are to be voted, and this requirement as to the receiving of proxies not later than 12:00 noon on the first business day preceding the day on which such proxy or proxies are to be used shall also be mandatory in determining a quorum as provided

in Section 3.04 of this Article III, and in every other instance or occasion when proxies are to be used or voted.

- (d) The Board of Directors of the Cooperative shall determine the validity of said proxies prior to the meeting at which they are to be voted. In the event a member executes two (2) or more proxies for the same meeting, the most recently dated proxy shall revoke all others; if such proxies carry the same date and are held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting shall revoke any proxy theretofore executed by him for such meeting, and he shall be entitled to vote in the same manner and with the same effect as if he had not executed a proxy.
- (e) No proxy shall be in favor of or used by any person except a member of the Cooperative.
- (f) Undesignated proxies are those proxies which do not have written in the appropriate place the person who shall have the authority to vote said proxy. The failure of a member to write in the appropriate place on his proxy the person who shall have the authority to vote said proxy shall be deemed the member's designation of a member of the Board of Directors of the Cooperative representing the member's county of residence to vote said member's proxy.
- (g) The proxy shall be in substantially the following form:

(Proxy Number)

I, the undersigned, a member of Southwest Arkansas Electric Cooperative Corporation, hereby appoint _____ as my proxy, with power of substitution, who is a member of the Cooperative, to vote in my name and stead at the _____ meeting of members of the Cooperative to be held at _____ in Texarkana, (or at my other place that the Directors may designate by proper resolution) on the ____ day of _____, 20__ at _____ o'clock, upon matters of business which appear in the official notice of the meeting.

The Proxy and consent is revocable at any time before it is exercised and the undersigned reserves the right to attend the meeting and vote in person.

I hereby ratify and confirm the vote of my Proxy or by substitution thereof.

Witness my hand this ____ day of _____, 20__.

Signed: _____

- (h) Proxies shall be prepared by the Cooperative and mailed to all members in a timely manner prior to any meeting at which said proxies can be voted. Each of the proxies shall be numbered in sequence, labeled with the name and address of the member, and have the member's account or

membership number on the proxy. Should any member lose or damage his proxy, said member shall make a request in person or in writing signed by the member at the Cooperative headquarters in Texarkana, Arkansas, for a replacement proxy to replace the proxy which has been lost or damaged. The Cooperative shall then furnish the member a replacement proxy as requested, and said replacement proxy shall be in the same form as the original proxy. No replacement proxy may be used at any meeting of members unless the same shall have been received at the Cooperative headquarters office in Texarkana, Arkansas, at the Cooperative's Post Office Box, or at the Post Office box designated on the proxies on or before 12:00 noon on the first business day preceding the meeting for which the proxy or proxies are to be voted. No proxy or replacement proxy shall be used in any manner unless it is prepared and provided by the Cooperative.

- (i) Notwithstanding the provisions of Section 3.06 (a) above, proxy voting shall not be allowed for the required two-thirds of the members vote of Section 11.01(a) and the required fifty-one per centum (51%) vote of the membership of Article XV of these Bylaws.

SECTION 3.07 – MEMBER PROPOSALS – No motion or resolution shall be voted upon at any meeting except in the manner provided in Section 3.05 of this Article III. Any member who desires to submit a proposal to the meeting shall submit a copy thereof to the Secretary at least thirty (30) days prior to the meeting, and the Secretary shall place such proposal on the ballot together with other matters to be voted upon. The Board of Directors shall establish procedures by which both proponents and opponents shall be able to submit to the members a short statement of reasons for or against a proposal along with the other election information. No action shall be taken on any member proposal at any meeting if the member fails to comply with the requirements of this section.

SECTION 3.08 – 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 as follows:

- (1) Call of the roll.
- (2) Reading of the notice of the meeting together with proof of the due mailing thereof or the waivers of notice of such meeting.
- (3) Presentation and reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
- (4) Presentation and consideration of, and acting upon, reports of officers, directors, and committees.
- (5) Election of directors.

- (6) Unfinished business.
- (7) New business.
- (8) Adjournment.

Notwithstanding the foregoing, the Board of Directors or the members themselves may, from time to time, establish a different order of business for the purpose of assuring the earlier consideration of any action upon any item of business the transaction of which is necessary or desirable in advance of any other item of business: PROVIDED, that no business other than adjournment of the meeting to another time and place may be transacted until and unless the existence of a quorum is first established.

ARTICLE IV

DIRECTORS

SECTION 4.01 – NUMBER AND GENERAL

POWERS – The business and affairs of the Cooperative shall be managed by a board of nine (9) directors, which shall exercise all of the powers of the Cooperative except such as are by the law, the Articles of Incorporation, of these Bylaws conferred upon or reserved to the members.

SECTION 4.02 – ELECTION AND TENURE OF

OFFICE – For purposes of board representation, the territory of the Cooperative shall be divided into the following districts.

District 1 That portion of Columbia County served by the Cooperative.

District 2 Those portions of Howard County and Pike county served by the Cooperative.

District 3 That portion of Hempstead County served by the Cooperative.

District 4 Those portions of Little River County and McCurtain County, Oklahoma, served by the Cooperative.

District 5 That portion of Lafayette County served by the Cooperative.

District 6 Those portions of Miler County, Bowie County, Texas, and Cass County, Texas served by the Cooperative.

District 7 That portion of Sevier County served by the Cooperative.

District 8 That portion of Polk County served by the Cooperative.

Members of the board shall be elected by the members by written ballot as specified below until their successors shall have been elected and shall have qualified. If an election of directors shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, a special meeting 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 present or represented by proxy at the annual meeting or a special meeting held for that purpose. Nothing contained herein shall affect the tenure and terms of the directors serving at this time, nor disqualify any director hereafter duly elected from completing his

term because of changes in the boundaries of a service area if he otherwise meets the qualifications of a valid director. Each of the eight districts described in this section shall be represented by one board member, with the exception of the Miller-Bowie-Cass County district, which shall be represented by two board members.

The board member representing District 1 be elected at the annual meeting held in 1997 for a seven year term ending in 2004. At the annual meeting in 2004 and at the annual meetings held each nine years thereafter, the board member representing District 1 shall be elected to a nine year term.

The board member representing District 2 shall be elected at the annual meeting held in 1997 for an eight year term ending in 2005. At the annual meeting in 2005 and at the annual meetings held each nine years thereafter, the board member representing District 2 shall be elected to a nine year term.

The board member representing District 3 shall be elected at the annual meeting held in 1997 for a nine year term ending in 2006. At the annual meeting in 2006 and at the annual meetings held each nine years thereafter, the board member representing District 3 shall be elected to a nine year term.

The board member representing District 4 shall be elected at the annual meeting held in 1995 for a three year term ending in 1998. At the annual meeting in 1998 and at the annual meetings held each nine years thereafter, the board member representing District 4 shall be elected to a nine year term.

The board member representing District 5 shall be elected at the annual meeting held in 1995 for a four year term ending in 1999. At the annual meeting in 1999 and at the annual meetings held each nine years thereafter, the board member representing District 5 shall be elected to a nine year term.

The board member representing District 6 (Position 1) shall be elected at the annual meeting held in 1995 for a five year term ending in 2000. At the annual meeting in 2000 and at the annual meetings held each nine years thereafter, the board member representing District 6 (Position 1) shall be elected to a nine year term.

The board member representing District 6 (Position 2) shall be elected at the annual meeting held in 1996 for a five year term ending in 2001. At the annual meeting in 2001 and at the annual meetings held each nine years thereafter, the board member representing District 6 (Position 2) shall be elected to a nine year term.

The board member representing District 7 shall be elected at the annual meeting held in 1996 for a six year term ending in 2002. At the annual meeting in 2002 and at the annual meetings held each nine years thereafter, the board member representing District 7 shall be elected to a nine year term.

The board member representing District 8 shall be elected at the annual meeting held in 1996 for a seven year term ending in 2003. At the annual meeting in 2003 and at the annual meetings held each nine years thereafter, the board member representing District 8 shall be elected to a nine year term.

SECTION 4.03 – QUALIFICATIONS – A person shall be eligible to become or remain a board member of the Cooperative provided such person:

- (a) is a member of the Cooperative,
- (b) is receiving service from the Cooperative within the district (as defined in Section 4.02) which he is elected to represent,
- (c) has his legal residence within the county or counties of the district (as defined in Section 4.02) which he is elected to represent,
- (d) is not in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures, or supplies to members of the Cooperative, and
- (e) is not a close relative of an incumbent director or an employee of the Cooperative.
- (f) has not been employed by the Cooperative within five (5) years prior to election as a director.

When a membership is held jointly by a husband and wife, either one, but not both, may be elected to become a director or to hold a position of trust in the Cooperative if both shall meet the qualifications hereinabove set forth. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

If a director is not re-elected, retires, or resigns from the Cooperative's Board of Directors and has fifteen (15) years of service as a board member or has attained the age of sixty-five (65) and has a minimum of nine (9) years of service as a board member, the director or former director shall be designated a Director Emeritus of the Cooperative.

SECTION 4.04 – NOMINATIONS – It shall be the duty of the Board of Directors to appoint, not less than thirty (30) days nor more than ninety (90) days before the date of a meeting of the membership at which meeting directors are to be elected, a committee of nominations consisting of not less than five (5) members who may be selected from different districts.

The Committee, after determining that the potential nominees for director meet the qualifications set forth in Section 4.03, shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for directors which may include a greater number of candidates than are to be elected. At the meeting of the members, the Chairman or person presiding shall call for additional nominations from the floor and nominations shall not be closed until at least one (1) minute has passed during which no additional nominations have been made. No member may nominate more than one candidate.

SECTION 4.05 – VACANCIES – Vacancies occurring in the Board of Directors between annual meetings of the members of the Cooperative shall be filled by a majority vote of the remaining directors. A director thus elected shall serve the remainder of the term of the director whose vacancy was filled by him.

SECTION 4.06 – REMOVAL OF DIRECTORS BY MEMBERS –

- (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 has committed an act or omission adversely affecting the business and affairs of the Cooperative and amounting to gross negligence, fraud, and criminal conduct.
- (C) No director shall be removed except upon certification that the following procedures have been followed:
 - (j) A separate written petition for each director must be presented to the Board, which shall:
 - (a) On each page, in the forepart thereof, state the name(s) and address(es) of the member(s) filing such charge(s), a verbatim statement of such charge(s), and the name of the director against whom such charges(s) is (are) being made.
 - (b) Be signed by each member in the same name as he is billed by the Cooperative and shall state the signatory’s address as the same appears on such billings.
 - (c) Be signed by a minimum of twenty-five percent (25%) of the members of the Cooperative within sixty (60) days of the date of the petition, with said members including a minimum of fifty percent (50%) of the members of the Cooperative receiving service in the district which the director is representing.
 - (d) Call for a special member meeting, the stated purposed of which is to hear and act on such charge(s).
 - (ii) The sufficiency and validity of the petition shall be determined by the Board of Directors. Notice of such charge(s) verbatim, of the director against whom the charge(s) have been made, of the member(s) filing the charge(s) and the purpose of the meeting shall be contained in the notice of the meeting, or separately noticed to the members not less than twenty (20) days prior to the member meeting at which the matter will be acted upon: PROVIDED, that the notice shall set forth only twenty (20) of the names (in alphabetical order) of the members filing one or more charges if twenty (20) or more members file the same charge(s) against the director. The director shall be informed in writing of the charges after they have been validly filed and at least fifteen (15) days prior to the meeting of the members at which the charge(s) are to be considered and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel, or by combination of such, and to present evidence in respect of the charge(s), and the person(s) bringing the charge(s) shall have the same

opportunity, but must be heard first. The question of the removal of such director shall be considered and voted upon at such meeting. The question of the removal of director shall not be voted upon at all unless some evidence in support of the charge(s) against him shall have been presented during the meeting through oral statements, documents or otherwise. No action shall be taken at any meeting concerning removal of a director unless there has been complete compliance with the filing and notice requirements of this section.

- (D) A vacancy caused by the removal of a director shall be filed as provided in ARTICLE IV, Section 4.05, of these Bylaws.
- (E) Nothing contained herein, however, shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 4.07 – COMPENSATION – Directors and former directors shall not receive any salary for their services as such, except that the Board of Directors may authorize:

- (a) a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments or other assignments authorized or requested by the board,
- (b) the reimbursement of directors and former directors for expenses actually and necessarily incurred in carrying out such Cooperative business, and
- (c) the participation of directors, former directors, and their dependents in insurance plans or programs maintained by the Cooperative and the payment of such insurance premiums by the Cooperative, including the payments heretofore made pursuant to board resolution.

No director or former director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director or former director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the Board of Directors.

SECTION 4.08 – RULES AND REGULATIONS – The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with the Articles of Incorporation or the Bylaws of the Cooperative or the laws of the State of Arkansas, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative.

SECTION 4.09 – 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 4.10 – 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 that he 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 in connection with such action, suit, or proceeding if he acted in good faith and in a manner he 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 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 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 conduct was unlawful.
- (b) Indemnification Following Successful Defense. To the extent that a director, officer, employee, or agent of the Cooperative 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 shall be indemnified against expenses, (including attorney fees) actually and reasonably incurred by him 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 Cooperative only as authorized in specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct in Paragraph (a). Such determination shall be made.
- (1) By the Board of Directors by a vote of the directors who were not parties to such action , suit, or proceedings; or
 - (2) 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 a director, 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 is not entitled to be indemnified by the Cooperative as authorized in this section.
- (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 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 director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.
 - (g) Insurance. The Cooperative may purchase insurance to cover the indemnification allowed or required by Section 4.10.

ARTICLE V

MEETINGS OF DIRECTORS

SECTION 5.01 – REGULAR MEETINGS – A regular meeting of the Board of Directors shall be held monthly at such time and place as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

SECTION 5.02 – SPECIAL MEETINGS – Special meetings of the Board of Directors may be called by the Chairman of the Board or any (2) directors. The person or persons authorized to call special meeting 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 5.03 – NOTICE – Written notice of this time, place, and purpose of any special meeting shall be given to each director. Such notice shall be personally delivered or mailed to each director at his last known address at least seven (7) days in advance of any special meeting except when it is necessary to transact business and less time is required, in which case a good faith attempt shall be made to give notice to each director by telephone at least twenty-four (24) hours in advance of the meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 5.04 – 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

less than a majority of the directors present may adjourn the meeting from time to time without further notice.

SECTION 5.05 – MANNER OF ACTING – The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE VI

OFFICERS

SECTION 6.01 – NUMBER AND TITLE – The officers of the Cooperative shall be a Chairman of the Board, a Vice Chairman of the Board, a Treasurer and a Secretary. The offices of Secretary and Treasurer may be held by the same person.

SECTION 6.02 – ELECTION AND TERM OF OFFICE – The officers of the Cooperative shall be elected, by ballot, annually by and from the Board of Directors at the first Board meeting following each 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 conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next annual meeting of the members or until his successor shall have been elected and shall have qualified.

SECTION 6.03 – REMOVAL – Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative should be served thereby.

SECTION 6.04 – VACANCIES – A vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 6.05 – CHAIRMAN OF THE BOARD – The Chairman of the Board:

- (a) shall be the principal executive officer of the Cooperative and shall preside or appoint a person to preside at all meetings of the members and shall preside at all meetings of the Board of Directors,
- (b) may sign, with the Secretary or any other proper officer of the Cooperative, authorized by the Board of Directors so to do, certificates of membership of the Cooperative, any deeds, mortgages, bonds, contracts, or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be signed or executed otherwise, and

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

SECTION 6.06 – VICE CHAIRMAN OF THE BOARD – In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice Chairman of the Board shall perform the duties of the Chairman of the Board, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board and shall perform such duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.07 – SECRETARY – The Secretary shall:

- (a) keep the minutes of meetings of the members and the Board of Directors in one or more books provided for the purpose,
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law and mail to each member notice of the annual meeting and notice of any special meeting of the membership, said notice to be accompanied by a proxy, which proxy is to be executed in accordance with these Bylaws,
- (c) be custodian of the corporate records and of the seal of the Cooperative and see that the seal of the Cooperative is affixed to all the certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws,
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such members,
- (e) sign with the Chairman of the Board certificates of membership of the Cooperative, the issuing of which shall have been authorized by resolution of the Board of Directors,
- (f) have general charge of the books of the Cooperative in which a record of the members is kept, and
- (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6.08 – TREASURER – The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative.
- (b) receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit or invest all such

- moneys in the name of the Cooperative in such bank or banks or such financial institutions or securities as shall be selected in accordance with the provisions of Section 7.03 of Article VII of these Bylaws, and in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.
- (c)

SECTION 6.09 – 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, and shall have such authority as the Board of Directors may from time to time vest in him.

SECTION 6.10 – BONDS OF OFFICERS – The Board of Directors may require the Treasurer or any other officer of the Cooperative charged with the responsibility for the custody of any of its funds or property to secure a bond for the faithful discharge of his duties in such sum and with such surety, or sureties 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 secure such bonds in such amounts, with such surety or sureties and continuing such terms and conditions as it shall determine.

SECTION 6.11 – SALARIES – The salary of the President of the Cooperative shall be fixed from time to time by the Board of Directors, and no President shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Cooperative. The salaries, duties, and terms of employment of all employees of the Cooperative shall be fixed and determined by the Board of Directors.

SECTION 6.12 - REPORTS – The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative at the close of such fiscal year.

ARTICLE VII

CONTRACTS, CHECKS, AND DEPOSITS

SECTION 7.01 – CONTRACTS – 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 7.02 – CHECKS, DRAFTS, ETC. – All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such employee or officer(s) of the

Cooperative and in such manner as shall from time to time be determined by a resolution of the Board of Directors.

SECTION 7.03 – DEPOSITS AND INVESTMENTS –

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

ARTICLE VIII

MEMBERSHIP CERTIFICATES

SECTION 8.01 – CERTIFICATE OF MEMBERSHIP

– Membership in the Cooperative shall be evidenced by a certificate of membership, which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Cooperative’s Articles of Incorporation or its Bylaws. Such certificate shall be signed by the Chairman and by the Secretary, and the seal shall be affixed thereto: PROVIDED, that the seal and the signatures of the Chairman and Secretary may be imprinted thereon by facsimile.

SECTION 8.02 – ISSUE OF MEMBERSHIP

CERTIFICATES – No membership certificate shall be issued for less than the membership fee fixed by the Board of Directors nor until such membership fee and any required service security deposits, facilities extension deposits, service connection fees, prepayments, or contributions in aid of construction have been fully paid.

SECTION 8.03 – LOST CERTIFICATE – In case of a lost, destroyed, or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE IX

NON-PROFIT OPERATION

SECTION 9.01 – INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED – The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

SECTION 9.02 – PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRIC ENERGY

– In the furnishing of electric energy the Cooperative’s operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and

expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each year the amount of capital, if any, so furnished by each patron in that year 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 each year notify each patron of the amount of capital so credited to his capital account in that year: PROVIDED, that individual notices of such amounts furnished by each patron shall not be required if the Cooperative provides reasonable notice to all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for himself the specific amount of capital so credited to him in that year. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as a part of the capital to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at anytime 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. 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 members patronage capital from time to time.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the Cooperative, with no deduction for interest.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest of successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the Board of Directors,

acting under policies of general application, shall determine otherwise.

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 patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

ARTICLE X

WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Electric Cooperative Corporation Act of the State of Arkansas, waiver thereof in writing, signed by the person or persons entitled to such notice, shall be deemed equivalent to the giving of such notice.

ARTICLE XI

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

SECTION 11.01 – DISPOSITION AND PLEDGING OF PROPERTY –

- (a) The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all the members of the Cooperative, and unless the proposed transaction shall have been contained in the notice of the meeting: PROVIDED, however, that notwithstanding anything herein contained, the Board of Directors, of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of any or all of the property, assets, rights, privileges, licenses, franchises, and permits of the Cooperative, whether acquired or to be acquired, and whatsoever situated, as well as the revenues and income therefrom, all upon such terms and conditions

as the Board of Directors shall determine, to secure any indebtedness of the Cooperative, and: PROVIDED FURTHER, that the Board of Directors may upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease, or otherwise dispose of all or a substantial portion of its property to another Cooperative doing business in Arkansas and incorporated under the Act under which this Cooperative is incorporated. "Substantial portion," as used in this Section, means ten per centum (10%) or more of the fair market value of the Cooperative's total properties and assets.

(b) Not in conflict with, or in lieu of, but rather as supplementary to the foregoing subsection (a), the following procedures shall be followed in authorizing a sale, lease, lease-sale, exchange or other disposition of all or a substantial portion of the Cooperative's properties and assets:

(1) Before allowing any plan or proposal therefor to be submitted to the members, the Board of Directors shall cause three (3) independent appraisers, expert in such matters, to be appointed to render their individual opinions as to the fair market value of the Cooperative's assets and properties, including its good will and good business value, and as to any other terms and conditions which, in their respective judgments shall be considered. The Board of Directors after receiving such appraisals, (and other terms and conditions which are recommended, if any), shall then give every other electric cooperative doing business in the State of Arkansas and incorporated under the Act under which this Cooperative is incorporated (which has not submitted such plan or a proposal) an opportunity to submit competing plans or proposals. Such opportunity shall be in the form of a written notice to such electric cooperatives, which notice shall attach a copy of the initial plan or proposal being then considered and a copy of the reports of the three (3) appraisers. Such electric cooperatives shall be given not less than thirty (30) days within which to submit competing plans or proposals, and the actual minimum period within which plans or proposals are to be submitted

shall be stated in the written notice given to them.

- (2) Any two hundred (200) or more members, by so petitioning the Board not less than fifteen (15) days before the date of the special or annual member meeting at which such a plan or proposal will be considered, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all other members, at least seven (7) days prior to such member meeting, any opposing positions or alternative plans or proposals which the petitioners may have.

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

SECTION 11.02 – DISTRIBUTION OF SURPLUS

ASSETS ON DISSOLUTION – Except if and to the extent in conflict with the Arkansas law providing for the dissolution of private corporations, upon the Cooperative’s dissolution any assets remaining after all of the Cooperative’s liabilities and obligations, including outstanding capital credits, have been satisfied or discharged or a plan therefor appropriately established, shall to the extent practicable as determined by the Board of Directors, be distributed without priority among all persons who are or who have been patrons of the Cooperative during the last ten years preceding the date of the filing of the certificate of dissolution, on the basis that their respective patronage during such periods bears to the total receipts of the Cooperative during the ten-year period or such subsequent date for the limiting of such total period as may be determined by the Board of Directors: **PROVIDED** that, before making such distribution, if any gain is realized upon dissolution from the sale of any appreciated asset, such gain shall be distributed to all persons who were patrons during the period the asset was owned by the Cooperative in proportion to the amount of business done by such patrons during the period the asset was owned by the Cooperative in proportion to the total amount of business done by the Cooperative during the period, insofar as is practicable as determined by the Board of Directors; **AND PROVIDED FURTHER**, however, that if in the judgment of the Board the amount of such surplus is too small to justify the expense of making any distribution whatever, 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 XII

FISCAL YEAR

The Cooperative's fiscal year shall begin on the first day of the month of January of each year and end of the last day of the month of December following.

ARTICLE XIII

RULES OR ORDER

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

ARTICLE XIV

SEAL

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

ARTICLE XV

AMENDMENTS

These Bylaws may be altered, amended, or repealed by not less than the affirmative vote of two-thirds of all the Board of Directors at any regular or special meeting. Notwithstanding any other provisions of these Bylaws, an affirmative vote of a least fifty-one per centum (51%) of the membership shall be required to alter, amend, or repeal ARTICLE XI – Disposition and Pledging of Property and Distribution of Surplus Assets on Dissolution or this ARTICLE XV – Amendments.

STATEMENT OF NONDISCRIMINATION

Southwest Arkansas Electric Cooperative Corporation is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U. S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U. S. Department of Agriculture which provide that no person in the United States on the basis of race, color, religion, sex (including pregnancy), national origin, age, disability or genetic information, shall be excluded from participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is C. Wayne Whitaker, President and Chief Executive Officer. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a Civil Rights complaint of discrimination, complete the USDA Program Discrimination Complaint form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed form or letter by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov. USDA is an equal opportunity provider and employer. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible