

BYLAWS AND STATEMENT OF NONDISCRIMINATION FIRST ELECTRIC COOPERATIVE CORPORATION

As of February 24, 2011

ARTICLE I

MEMBERSHIP

SECTION 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof will become a member of **First Electric Cooperative Corporation** (hereinafter called the "Cooperative") upon receipt of electric service from the Cooperative, provided that he or it has first;

- (a) Agreed to purchase from the Cooperative electric energy as hereinafter specified;
- (b) Agreed to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the board, and
- (c) Paid the membership fee hereinafter specified.

No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these bylaws.

SECTION 2. Membership Certificates. Membership in the Cooperative may be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the board. Such certificates shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto. Said certificate may be in the form of a receipt for membership fees, and the acceptance of same by the member shall obligate him to the rights and liabilities recited thereon.

SECTION 3. Joint Membership. A husband and wife may apply for a joint membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an officer or board member, provided that both meet the qualifications for such office.

SECTION 4. Conversion of Membership.

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

membership status.

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

SECTION 5. Membership Fees. The membership fee shall be such as shall be determined from time to time by resolution of the board of directors.

SECTION 6. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy purchased for use on the premises specified in his application for membership, and shall pay therefor at rates which shall from time to time be fixed by the board. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, as shall be fixed by the board from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

SECTION 7. Termination of Membership.

- (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe. The board may, by the affirmative vote of not less than two-thirds of all the members of the board, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available to him has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the board.
- (b) Upon the withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.
- (c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. Property Interest of Members. Upon dissolution, after

- (a) All debts and liabilities of the Cooperative shall have been paid, and
- (b) All capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in accordance with the applicable provision of law.

SECTION 2. 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.

SECTION 3. Right of the Cooperative to Set Off. The Cooperative shall be entitled to set off any monies owing or to be paid to a Member, whether as a result of the retirement of patronage capital or otherwise, against any liabilities the Member has to the Cooperative which are more than thirty (30) days past due.

ARTICLE III

MEETING OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held each year at such place within a county served by the Cooperative, as selected by the board and which shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon 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 to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings. Special meetings of the members may be called by resolution of the board, or upon a written request signed by any three board members, by the president, or by ten percent or more of the members. In the event of a special meeting called by the members, the request shall be accompanied by petitions requesting the meeting. The petitions shall contain the signatures, addresses and account numbers of at least ten percent (10%) of the membership. Within thirty (30) days after submission of the petitions, the Cooperative shall verify the signatures, addresses and account numbers on the petitions. Upon the calling of a special meeting, 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 one of the counties served by the Cooperative as designated by the Board and it shall be 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 or an annual meeting at which business requiring special notice is to be transacted, the purposes or purposes for which the meeting is called, shall be delivered not less than ten days nor more than thirty 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 the 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 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. Five percent of the members, present in person or voting by mail, shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person or voting by mail may adjourn the meeting from time to time without further notice. The cooperative shall maintain, for three years, a list of all members present at the meeting, and all ballots cast by mail.

SECTION 5. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of the majority of the members voting thereon except as otherwise provided by law, the articles of incorporation or these bylaws.

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 resolutions 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, and such absent member shall express his vote thereon by placing a cross (x) in the space provided therefor opposite each such motion, resolution or candidate. Such absent member shall enclose each such copy so marked in a sealed envelope bearing his name and address to the person or firm designated by the board of directors, who shall tabulate same and report to the Secretary at the meeting. When such written vote so enclosed is received by mail from any absent member, it shall be counted as the vote of such member at such meeting. In case of a joint membership, if husband and wife are both absent from such meeting, a written notice received from either of them shall constitute one joint vote. The failure of any absent 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.

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, except as otherwise determined by the members at such meeting:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officer, trustees and committees.
5. Election of board members.
6. Unfinished business.
7. New business.
8. Adjournment.

SECTION 8. Member Proposals. Any member who desires to submit a proposal at the meeting shall submit a copy thereof to the Secretary at least sixty (60) days prior to the meeting. The proposal shall be accompanied by petitions requesting that the proposal be included on the ballot. The petitions shall contain the language of the proposal and the signatures, addresses and account numbers of at least ten percent (10%) of the membership. Within thirty (30) days after submission of the petitions, the Cooperative shall verify the signatures, addresses and account numbers on the petitions. If the petitions contain valid signatures, addresses and account numbers of at least ten percent (10%) of the membership, the proposal shall be placed on the ballot. 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 the reasons for or against a proposal along with other election information.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of directors which shall exercise all of the powers of the Cooperative except such as are by law, the articles of incorporation or these bylaws conferred upon or reserved to the members. The Board shall be composed of nine (9) directors.

There shall be three directors from the district served by the district office at Jacksonville; two directors from the district served by the district office at Heber Springs; two directors from the district served by the district office at Benton; one director from the district served by the district office at Perryville; and one director from the district served by the district office in Stuttgart.

SECTION 2. Election and Tenure of Office. The directors who are serving at the time of the adoption of these amendments to Article IV of the bylaws shall continue to serve for the remainder of the six (6) year

term for which they were most recently elected and qualified. At each annual meeting of the members following the adoption of these amendments to Article IV of the bylaws, the members shall elect directors whose terms have expired for a period of six (6) years each or 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 of the members shall be held for the purpose of electing directors within a reasonable time thereafter.

SECTION 3. Qualifications. No person shall be eligible to become or remain a director of the Cooperative who:

- (a) is a close relative of an incumbent director or of an employee of the Cooperative;
- (b) is a current employee, or a former employee of the Cooperative within six (6) years of the termination of his or her employment or the spouse or child of such current or former employee;
- (c) is not a member in good standing of the Cooperative;
- (d) is not a bona fide, permanent and full time resident, and receiving service from the cooperative at his/her place of abode for at least three (3) years, within the district that said member represents or would represent on the board of directors;
- (e) is in any way employed by or financially interested in a substantially competing enterprise, or a business selling electric energy or supplies to the Cooperative.

In addition, to be eligible to become or remain a director, an individual must:

- (f) through words and actions and by virtue of temperate demeanor and character, promote the best interests of the Cooperative and its members;
- (g) be committed to learning and have time to learn about the Cooperative and issues affecting the electric industry and electric cooperatives and be willing and able to devote significant time necessary to become a meaningful contributor on behalf of all members served by the Cooperative; and
- (h) possess and place a high value on personal and corporate integrity and ethical behavior.

When a membership is held jointly by husband and wife, either one, but not both, may be elected a director.

Upon establishment of the fact that a nominee or prospective nominee for director lacks eligibility under this section or as may be provided elsewhere in these bylaws, it shall be the duty of the board of directors, as early as possible but not later than the meeting at which such nominee would otherwise be voted upon, to disqualify such nominee or prospective nominee. Upon the establishment of the fact that a director or any person being considered to fill an unexpired term as director lacks eligibility under this section or as may be provided elsewhere in these bylaws, it shall be the duty of the board of directors to cause him to be removed therefrom or to withhold such position from such person, as the case may be. Nothing contained in this section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board of directors, unless such action is taken with respect to a matter which is affected by the provisions of this section and in which one or more of the directors have an interest adverse to that of the Cooperative.

The term "close relative" shall be defined as in the Cooperative's policies governing nepotism.

SECTION 4. Nominations. It shall be the duty of the board to appoint, not less than 60, nor more than 180 days before the date of the meeting of the members in which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than nine (9) members who shall be selected from different districts so as to insure equitable representation. No director currently serving on the board may serve on such committee. The committee shall prepare and post at the principal office of the Cooperative at least 45 days before said meeting a list of nominations for directors who it determines are best qualified and able to serve as directors, which shall include at least one candidate but not more than three candidates for each board position to be filled by the election. The Secretary shall be responsible for

mailing with the notice of said meeting or separately, but at least ten days before the date of said meeting, a statement of the number of directors to be elected and the names and addresses of the candidates nominated by the committee on nominations.

Any 350 or more members of the Cooperative, who are also bona fide residents of the district from which the director is to be elected, may make other nominations by signed, written petition and the secretary shall post such nominations at the same place where the list of nominations made by the committee is posted. Nominations of eligible candidates made by petition, if any, received at least thirty days, but not more than forty days, before said meeting shall be included on the official ballot. The names of candidates shall appear on the ballot in the order in which they are received.

Any nominee, whether a nominee nominated by the nominating committee or by petition, must be elected to the board by a plurality of the ballots of all Cooperative members voting. The election of directors shall be by mail ballot and only those nominees nominated by the nominating committee or by petition shall be on the ballot and there shall be no nominations permitted from the floor.

SECTION 5. Removal of Directors by Members. At a special meeting of members called expressly for that purpose, directors may be removed in the manner provided in this section.

The entire board of directors or any one or more of the directors may be removed with or without cause, by a vote of a majority of the members then entitled to vote at an election of directors. The proposal for the removal of any director sought to be removed shall be submitted to a vote of the members by mail ballot as provided in Article III, Section 6 (a) of these bylaws.

Vacancies caused by the removal of a director or directors pursuant to this Section 5 shall be filled at a special election conducted as provided in this Article IV.

SECTION 6. Vacancies. Subject to the provisions of these bylaws with respect to the filling of vacancies caused by the removal of directors by the members, a vacancy occurring in the board shall be filled by the affirmative vote of a majority of the remaining directors for the unexpired portion of the term.

SECTION 7. Compensation. Directors shall not receive any salary for their services as such, except that the Board may by resolution authorize 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 when authorized by the Board. If authorized by the board, directors may also be reimbursed for expense actually necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the board in lieu of detailed accounting for some of these expenses. No director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the board or the service by the director or his close relative shall have been certified by the Board as an emergency measure. The board of directors may also authorize the payment of the premiums on coverage for directors in insurance programs maintained by the Cooperative.

SECTION 8. Executive Committee. Pursuant to Arkansas Code Annotated § 23-18-322, the Executive Committee shall be a Standing Committee of the Board of Directors. The Executive Committee may exercise all of the powers of the Board of Directors in the management of the current and ordinary business of the Cooperative between regular meetings of the Board of Directors and such other duties as allowed under the Articles of Incorporation and these Bylaws, in all instances except as specifically limited by the Board of Directors. The Executive Committee shall consist of the Chairman of the Board, the Vice Chairman of the Board and the Secretary. The Secretary shall be responsible for keeping regular minutes of the meeting of the Executive Committee and shall cause them to be recorded in books kept for that purpose in the office of the Cooperative and shall report the same to the Board of Directors at the next meeting thereof.

SECTION 9. Audit Committee. The Audit Committee shall be a Standing Committee of the Board of Directors. The Audit Committee shall be appointed by the Chairman of the Board of Directors, and such Audit Committee may exercise such powers as shall be determined by the Board of Directors. The Audit

Committee shall consist of not less than two (2) members of the Board of Directors. The Audit Committee shall keep regular minutes of their meetings and shall cause them to be recorded in books kept for that purpose in the office of the Cooperative and shall report the same to the Board of Directors at the next meeting thereof.

SECTION 10. Standing or Temporary Committees. Other Standing or Temporary Committees may be appointed from time to time by resolution or resolutions passed by a majority of the Board of Directors, and the Board of Directors may from time to time invest such committees with such power as it may see fit, subject to such conditions as may be prescribed by such Board of Directors and subject to the Articles of Incorporation, these Bylaws and applicable statutes. Pursuant to Section 7 of Article IV of these Bylaws, a member any duly appointed Standing or Temporary Committee shall be paid such fixed sum and expenses incurred by such member, if any, in attending any regularly called meeting of such committee or in carrying out the business of such committee as may be authorized by the Board of Directors.

ARTICLE V

MEETINGS OF BOARD

SECTION 1. Regular Meetings. A regular meeting of the board may be held without notice, immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the board shall also be held monthly at such time and place within one of the counties served by the Cooperative as designated by the board. Such regular monthly meeting may be held without notice other than such resolution fixing the time and place thereof.

SECTION 2. Special Meeting. Special meetings of the board may be called by the president or by any three board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President of board members calling the meeting shall fix the time and place for the holding of the meeting.

SECTION 3. Notice of Board Meetings. Written notice of the time, place and purpose of any special meeting of the board shall be delivered to each board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the board member calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the board member at his address as appears on the records of the Cooperative, with postage thereon prepaid, at least five days before the date set for the meeting.

SECTION 4. Quorum. A majority of the board shall constitute a quorum, provided, that if less than such majority of the board is present at said meeting, a majority of the board present may adjourn the meeting from time to time; and provided further, that the Secretary shall notify any absent board members of the time and place of such adjourned meeting. The act of a majority of the board members present at a meeting at which a quorum is present shall be the act of the board, except as otherwise provided in these bylaws.

ARTICLE VI

OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a Chairman of the Board, Vice Chairman of the Board, President, one or more Vice Presidents, Secretary, Treasurer, and such other officers as may be determined by the board from time to time. Any number of offices may be held by the same person. Only the Chairman of the Board, the Vice Chairman of the Board and Secretary are required to be directors and members of the Cooperative.

SECTION 2. Election and Term of Office. Except as provided in the next two sentences, the officers shall be elected by ballot, annually by the Board at the meeting held immediately after the annual meeting of the members. The President, when he or she is a paid employee of the Cooperative, shall be elected

by the Board for no specific term of office, is not required to be elected annually by the Board, and shall serve at the pleasure of the Board. The President may appoint one or more paid employees of the Cooperative as Chief Operating Officer, Chief Financial Officer, Vice Presidents and Assistant Secretaries of the Cooperative and such officers shall not be required to be elected by the Board and shall serve for no specific term of office. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Except as provided in this Section 2, each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until the successor shall have been elected and shall have qualified. A vacancy in any office elected by the Board for a specific term shall be filled by the Board for the unexpired portion of the term.

SECTION 3. Removal of Officers and Agents by the Board. Any officer or agent elected or appointed by the board may be removed by the board whenever in its judgment the best interest of the Cooperative will be served thereby.

SECTION 4. Chairman of the Board. The Chairman of the Board shall (a) preside at all meetings of the members and the board; and (b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by the board or the members, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed.

SECTION 5. Vice Chairman of the Board. The Vice Chairman of the Board shall, in the absence of the Chairman of the Board or in the event of the Chairman of the Board's inability or refusal to act, perform the duties, and when so acting, shall have all of the powers and be subject to the restrictions upon the Chairman of the Board.

SECTION 6. President The President shall: (a) be the chief executive officer of the Cooperative; (b) be responsible for formulating general policies and programs of the Cooperative for submission to the board; (c) be responsible for the administrative and operations of the general business and affairs of the Cooperative; and (d) in general perform all duties normally incident to the office of President and such other duties as may be prescribed by the board from time to time.

SECTION 7. Vice President. In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President, or if there shall be more than one, the Vice Presidents in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall also perform such other duties as from time to time may be assigned by the board.

SECTION 8. Secretary. The Secretary shall be responsible for:

- (a) keeping the minutes of the members and of the board in books provided for that 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 books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- (d) keeping a register of the names and post office addresses of all members;
- (e) signing, with the Chairman of the Board, certificates of membership, the issue of which shall have been authorized by the board or the members;
- (f) keeping on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the bylaws and of all amendments thereto to any member upon request; and

- (g) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the board.

SECTION 9. Treasurer. The Treasurer shall be responsible for:

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

SECTION 10. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall be bonded in such sum and with such surety as the board shall determine. The board in its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

SECTION 11. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the board subject to the provisions of these bylaws with respect to compensation for a board member and close relatives of a board member.

SECTION 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VII

NON-PROFIT OPERATION

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

SECTION 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons, member and non-members alike, except under special conditions, 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, member and non-members alike, except under special conditions, 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, member and non-members alike, except under special conditions, as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. 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 used to offset any losses incurred during the current or any prior fiscal year.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons accounts may be retired in full or in part. After March 1, 1984, and thereafter, the board of directors shall determine the method, basis, priority and order of retirement, if any, for all amounts furnished as capital.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the board at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The 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.

ARTICLE VIII

DISPOSITION OF PROPERTY

The Cooperative may not sell, lease or otherwise dispose of, all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds (2/3) of all of the members of the Cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; however, after such vote, no sale, lease, lease-sale, exchange or other disposition of all or a substantial portion of the Cooperative's assets to any other entity shall be accomplished except in conformity with the following:

- (a) The board of directors shall first cause three (3) independent 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 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 which the Cooperative's headquarters are located. If such judge refuses to make such designations, they shall be made by the board of directors.
- (b) If the board of directors, after receiving such appraisals, and other terms and conditions which are recommended, if any, shall first give every other electric membership cooperative cooperation corporately sited and operating in the state (which has not made such an offer for such sale, lease, lease-sale, exchange or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric membership cooperative corporations, which notice shall be attached to a copy of the proposal which the Cooperative has already received and a copy of the report(s) of the three (3) appraisers. Such electric membership cooperative corporations shall be given not less than thirty (30) days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted

shall be stated in the written notice given to them.

- (c) The board of directors shall then notify the members of the initial or any subsequent proposal which has been submitted to it, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof, which meeting shall not be held sooner than ninety (90) days after the giving of such notice to the members; provided, that consideration thereof by the members may be given at the next annual member meeting if the board so determines and if such annual meeting is not held sooner than ninety (90) days after the giving of such notice.
- (d) Any fifty (50) or more members, by so petitioning the board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Cooperative, with the cost to be borne by the Cooperative, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the board has made.

The foregoing provisions shall not apply to a sale, lease, lease-sale, exchange or other disposition to one or more other electric membership cooperative corporations corporately sited and operating in the state if the substantive effect thereof is to merge or consolidate with such other one or more electric membership cooperative corporations, in which event an affirmative vote of a majority of those members present at any special or annual meeting shall be required; 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 wherever 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.

ARTICLE IX

SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal Arkansas."

ARTICLE X

FINANCIAL TRANSACTIONS

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

SECTION 2. Checks, Drafts, etc. All checks, drafts, or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed and/or countersigned 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.

SECTION 3. Deposits. All funds except petty cash of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the board may select.

SECTION 4. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December of the same year.

ARTICLE XI

MISCELLANEOUS

SECTION 1. Membership in Other Organizations. The Cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the board at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase, provided, however, that the Cooperative may upon the authorization of the board, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of REA, of any other corporation for the purpose of acquiring electric facilities.

SECTION 2. Waiver of Notice. Any member or board member may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in case a member or board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

SECTION 3. Polices, Rules and Regulations. The board shall have power to make and adopt such polices, rules and regulations, not inconsistent with law, the articles of incorporation or these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

SECTION 4. Accounting System and Reports. The board shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Electrification Administration of the United States of America. The Board shall also after the close of each fiscal year cause to be made by a certified public accountant a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. A summary of the report of such audit shall be submitted to the members at the next following annual meeting.

SECTION 5. Area Coverage. The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

SECTION 6. Proxies. At all meetings of members a member may vote in person or by mail, provided, however, that in connection with any motion or resolution pertaining to the raising of indebtedness to the United States of America or any agency or instrumentality thereof, National Rural Utilities Cooperative Finance Corporation, or other lending institutions, or the sale, mortgage, lease, or other disposition or encumbrance of instrumentality thereof, National Rural Utilities Cooperative Finance Corporation, or other lending institutions, a member may vote only by proxy executed in writing by the member or in person.

SECTION 7. Patron and/or Member. It shall be the duty of each patron and/or member of this Cooperative to keep the Cooperative informed of his full legal name and address at all times. It is understood and agreed by and between all parties concerned that the failure of any patron or member to do so for a period of five (5) years from the date that the Cooperative decides to make an actual cash refund shall result in any patronage refunds which may be due and payable to such patron or member to be classed and considered as donated capital by the patron and/or member of the Cooperative.

SECTION 8. Indemnification.

- (a) The Cooperative 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, other than an action by or in the right of the Cooperative, 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 judgments, fines, expenses, including

attorneys' fees, 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 judgement, order, settlement, 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)** The Cooperative 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 or suit by or in the right of the Cooperative to procure a judgement in its favor 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, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit 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, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Cooperative unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.
- (c)** 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 subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by him in connection therewith.
- (d)** Any indemnification under subsections (a) and (b) of this section, unless ordered by a court, shall be made by the Cooperative only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. 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 to such action, suit or proceeding; 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.
- (e)** Expenses incurred by an officer or director 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 an undertaking by or on behalf of such director or officer 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. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.
- (f)** The indemnification and advancement of expenses provided by or granted pursuant to the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of members or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such

office.

- (g) The Cooperative shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Cooperative. or is or was serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Cooperative would have the power to indemnify him against such liability under the provisions of this section.
- (h) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall continue as to a person who had ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.
- (i) For purposes of this section, references to “the Cooperative” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.
- (j) For purposes of this section, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Cooperative” shall include any service as a director, officer, employee or agent of the Cooperative which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Cooperative” as referred to in this section.

SECTION 9. Rules of Order. Unless the Board determines otherwise at any time, and to the extent consistent with applicable law, the Articles of Incorporation and these Bylaws, the latest addition of *Roberts Rules of Order* governs all:

1. Member meetings:
2. Board meetings:
3. Member committee meetings; and
4. Board committee meetings.

ARTICLE XII

AMENDMENTS

These bylaws may be altered, amended or repealed by the board at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

EQUAL OPPORTUNITY POLICY STATEMENT

As a federal contractor subject to the nondiscrimination and affirmative action obligations of Executive Order 11246, as amended, and its implementing regulations, **First Electric Cooperative Corporation** (hereinafter referred to as "the Cooperative") will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin and will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action includes, but is not limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.