



Bylaws

ARTICLE I MEMBERSHIP

SECTION 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of the North Arkansas Electric Cooperative Incorporated (hereinafter called the "Cooperative") by:

- (a) making a written application for membership therein;
- (b) agreeing to purchase from the Cooperative electric energy as hereinafter specified;
- (c) agreeing to comply with and be bound by the articles of incorporation and bylaws of the Cooperative and any rules and regulations adopted by the board of directors; and
- (d) paying the membership fee; provided, however, that no person, firm, association, corporation or body politic or subdivision thereof shall hold more than one (1) membership in the Cooperative, and no membership in the Cooperative shall be transferable.

SECTION 2. Membership Certificates. Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined by the board of directors. Such certificate shall be signed by the president and by the secretary of the Cooperative and the Corporate Seal affixed thereto. No membership certificate shall be issued for less than the membership fee, nor until such membership fee has been fully paid.

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 (1) member and shall constitute a joint waiver of notice of the meeting;
- (b) the vote of either separately or both jointly shall constitute one (1) 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 director,

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 of directors. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

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

SECTION 5. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in the application for membership, and shall pay monthly at rates which shall from time to time be determined by the board of directors; provided, however, that the board of directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one (1) member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these bylaws. Each member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the board of directors from time to time. Each member shall also pay all amounts owed to the Cooperative as and when the same shall become due and payable.

SECTION 6. Termination of Membership.

(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board of directors may prescribe. The board of directors of the Cooperative may, by the affirmative vote of not less than two thirds (2/3) of all the directors, expel any member who fails to comply with any of the provisions of the articles of incorporation, bylaws or rules or regulations adopted by the board of directors, but only if such member shall have been given written notice by the secretary of the Cooperative that such failure makes the member liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the board of directors or by vote of the members at any annual or special meeting. The membership of a member who for a period of six (6) months after service is available, has not purchased electric energy from the Cooperative, or of a member

Bylaws

who has ceased to purchase energy from the Cooperative, may be canceled by resolution of the board of directors.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or the member's 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; provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from 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 the proportion which the aggregate patronage of each bears to the total patronage of all such members, unless otherwise provided by law.

SECTION 2. Non-Liability for Debts of the Cooperative. The private property of the members shall be exempt from execution 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.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 1. Annual Meeting. The annual meeting of the members shall be held each year at such time and place in the Counties of Baxter, Fulton, Izard or Sharp, State of Arkansas, as shall be designated in the notice of the meeting, for the purpose of electing directors, passing upon reports for the previous fiscal year and transacting such other business as may properly come before the meeting. It shall be the responsibility of the board of directors to make adequate plans and preparations for the annual meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings. Special meetings of the members may be called by at least two thirds (2/3) of the directors or upon a written request signed by at least ten percent (10%) of all 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 shall be held at the principal office of the Cooperative.

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 purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the president, the secretary, or the officers or persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, ad-

dressed to the member's 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. As long as the total number of members does not exceed five hundred (500), ten percent (10%) of the total number of members present, shall constitute a quorum. In case the total number of members shall exceed five hundred (500), fifty (50) members or two percent (2%) of the members present, whichever shall be larger, shall constitute a quorum. A member, not in actual attendance at an annual meeting, who submits a ballot to express their vote on any issue shall be considered present insofar as determining a quorum is concerned and their name shall be listed in the list of members present at the annual meeting. This provision shall apply only to the annual meeting. For all other meetings, members must be present in person to be included in the determination of a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of such meeting shall contain a list of the members present in person.

SECTION 5. Voting. Each member shall be entitled to only one (1) vote upon each matter submitted to a vote of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the articles of incorporation of these bylaws. It shall be the duty of the Board of Directors to provide voting methods to enable members to vote on any such matters in a fair, impartial and understandable manner.

SECTION 6. Proxies. There shall be no voting by proxy.

SECTION 7. Member Proposals. Any member who desires to submit a proposal to a meeting, whether special or general, shall submit a copy thereof to the secretary at least 30 days prior to the meeting, and the secretary shall place such proposal on the agenda for the meeting, together with other matters on the order of business. The board of directors shall establish procedures by which the proponents and opponents shall be able to submit to the members a statement of reasons for or against a proposal, along with the other election information.

SECTION 8. Order of Business. The order of business at the annual meeting of the members and, so far as possible 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 officers, directors and committees;
5. announcement and/or election of directors provided for in Article IV, Section 5 of the bylaws;
6. unfinished business;
7. new business; and
8. adjournment.

Bylaws

ARTICLE IV DIRECTORS

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

Section 2: Election and Tenure of Office

(a) Each director shall be eligible to serve a six (6) year term, with the number of years of service as a director not to exceed a total of 3 elected terms. This provision shall be effective upon the election of directors at the 2014 annual meeting;

(b) The structure of terms shall be effective with the election of directors at the 2014 annual meeting and shall be implemented as follows: (i) 2014 Annual Meeting: Representatives shall be elected from Baxter County, Fulton County and the System at Large. One such director shall be elected to a 3 year term and two such directors shall be elected to 4 year terms. The Board shall designate and assign the terms of each director prior to the meeting of the 2014 nominating committee; (ii) 2015 Annual Meeting: Representatives shall be elected from Sharp County, Izard County and Izard County. One such director shall be elected to a 4 year term and two such directors shall be elected to 5 year terms. The Board shall designate and assign the terms of each director prior to the meeting of the 2015 nominating committee (iii) 2016 Annual Meeting: Representatives shall be elected from Fulton County, Baxter County and Sharp County. One such director shall be elected to a 5 year term and two such directors shall be elected to 6 year terms. The Board shall designate and assign the terms of each director prior to the 2016 nominating committee; and (iv) 2017 Annual Meeting and each Annual Meeting thereafter: All directors shall be elected for a term of 6 years.

(c) Each director shall serve until his successor shall have been elected and shall have qualified.

(d) The election of directors shall be pursuant to voting methods provided for by the board of directors pursuant to Article IV, Section 5 of the Bylaws.

(e) Directors may be elected by a plurality vote of the members.

SECTION 3. Qualifications. In order to become eligible to become and to continue to serve as a director, the person must:

(a) be a member of the Cooperative for two years and receive electric service at their place of residence in the county which they represent;

(b) be a citizen of the United States of America;

(c) be a member of the cooperative in good standing. As used herein, the term "good standing" shall mean that a director shall have no more than three delinquent monthly service bills within the preceding twenty-four month period;

(d) not in any way be employed or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative;

(e) not have a spouse employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative;

(f) not currently be employed or have been employed within the past three years, in any capacity with the Cooperative or any subsidiaries;

(g) not have a spouse currently employed or have been employed with the past three years, in any capacity with the Cooperative or any subsidiaries;

(h) not have been convicted of a felony, or a misdemeanor involving dishonesty within the ten prior years to the date of the election, unless the candidate has received a pardon for such conviction;

(i) not have been convicted of a felony, or a misdemeanor involving dishonesty, while serving as a director; and

(j) be in compliance with all other provisions of the bylaws and policies of the Cooperative and the Board of Directors of the Cooperative. Upon establishment of the fact that a director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such director from office. Likewise, a candidate for election shall be denied certification for the office for which he or she is running upon establishment of the fact that the candidate is in violation of any of the foregoing provisions.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

SECTION 4. Nominations. It shall be the duty of the board of directors to appoint not more than one hundred fifty (150) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected so as to give equal representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the board of directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative at least sixty (60) days before the meeting a list of nominations for directors. The membership may make other nominations by petition signed by not less than 100 members of the Cooperative. The petition form shall be provided by the cooperative and shall be made available at the cooperative's offices and website. The members signing the Petition shall reside within the District from which the Director is being elected. Petition of nominations for director with the required number of signatures shall be delivered to the secretary and by the secretary posted at the same place where the list of nominations made by the committee is posted not less than sixty (60) days prior to the meeting at which the nominee shall be voted on. The secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. The methods stated herein to nominate directors shall be, unless otherwise stated herein, the exclusive manner for nomination of directors to the Cooperative board of directors. The members may, at the meeting at which a director or directors shall be removed, as hereinafter provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

SECTION 5. Election of Directors. It shall be the duty of the board of directors to provide voting methods to enable the members to vote for the nominated directors in a fair, impartial and understandable manner. In addition, the following shall apply to each election of a director, to wit:

(a) There shall be no campaigning within 100 feet of any office, or annual meeting facility of North Arkansas Electric Cooperative.

(b) If more than one person is nominated for the position of director, then the person that receives the most votes shall be declared to be the winner. It shall not be necessary to receive a majority of the votes cast in order to be declared the winner;

Bylaws

(c) The board of directors shall designate a person or persons to count the votes which are cast; and

(d) Existing directors shall not endorse, campaign or advertise for the election of any member to the Board of Directors by utilizing their title as a board member in any such endorsement, campaign or advertisement. However, this shall not prevent any such board member from endorsing, campaigning or advertising in their individual capacity for the election of a member to the Board of Directors, nor shall it prevent an incumbent Director from using his or her title when the incumbent director has been nominated for reelection.

SECTION 6. 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 as provided in Article III of the bylaws.

SECTION 7. Vacancies. Vacancies caused by the removal of a director or directors pursuant to Article IV, Section 6 shall be filled at a special election conducted as provided in these bylaws. Vacancies caused by the death or resignation of a Director or Directors may be filled by the affirmative vote of the remaining Directors for the unexpired portion of the term. Should the Directors fail to fill said vacancy as aforesaid, then said vacancy shall be filled at the next annual meeting as set forth in these bylaws.

SECTION 8. Compensation. Directors as such shall not receive any salary for their services. The board of directors shall by a resolution provide for per diem and reimbursement of expenses or the payment of expenses incurred by the directors in connection with the performance of their duties and responsibilities as such directors. Also, the board of directors may also authorize the payment of the premiums on individual or family insurance coverage for members of the board of directors in insurance programs maintained by the cooperative. No person standing with the third degree of affinity or consanguinity of a director shall receive compensation from the Cooperative for services unless such compensation shall be specifically authorized by the board of directors.

ARTICLE V

MEETINGS OF DIRECTORS

SECTION 1. Regular Meetings. A regular meeting of the board of directors shall be held without notice other than this bylaw, immediately after the annual meeting of the members. A regular meeting of the board of directors shall also 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 2. Special Meetings. Special meetings of the board of directors may be called by the president, or a majority of the directors. The person or persons authorized to call special meetings of the board of directors may fix the time and place for the holding of any special meeting of the board of directors called by them.

SECTION 3. Notice of Directors' Meeting. Written notice of the time and place and purpose of any special meeting of the board of directors shall be delivered to each director not less than five (5) days previous thereto, 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 directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director's address as it appears on the records of the Cooperative, with postage thereon prepaid.

SECTION 4. Quorum. A majority of the Board of Directors appearing in person or appearing through virtual technology, shall be deemed present and shall constitute a quorum. Provided, however, that if less than such majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time; and, provided, further, that the secretary shall notify any absent directors of the time and place of such adjourned meeting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

ARTICLE VI

OFFICERS

SECTION 1. Number. The officers of the Cooperative shall be a president, vice president, secretary treasurer, and such other officers as may be determined by the board of directors from time to time. The offices of secretary and treasurer may be held by the same person.

SECTION 2. Election and Term of Office. The officers shall be elected annually by the board of directors at the meeting of the board of directors held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the board of directors following the next succeeding annual meeting of the members or until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the board of directors for the unexpired portion of the term.

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

SECTION 4. President. The president shall:

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

(b) sign, with the secretary, certificates of membership, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and

(c) in general perform all duties incident to the office of president, and such other duties as may be assigned by the board of directors from time to time.

SECTION 5. Vice President. In the absence of the president, or in the event of the president's inability or refusal to act, the vice president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice president shall also perform such other duties as from time to time may be assigned by the board of directors.

SECTION 6. Secretary. The secretary shall:

Bylaws

(a) keep, or cause to be kept, the minutes of the meetings of the members and of the board of directors in books provided for that purpose;

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

(c) be custodian of the corporate records and of the Seal of the Cooperative and affix or cause to be affixed, the Seal of the Cooperative to all certificates of membership prior to the issue thereof and to the 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, or cause to be kept, a register of the names and post office addresses of all members;

(e) sign, with the president, certificates of memberships the issue of which shall have been authorized by the board of directors or the members;

(f) have general charge of the books of the Cooperative;

(g) keep on file at all times a complete copy of the articles of incorporation and bylaws of the Cooperative containing all amendments thereto and copies of the bylaws shall always be available to any member upon request at any office of the cooperative; and

(h) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the board of directors.

(i) Any or all of the foregoing duties and responsibilities of the secretary may be delegated by and with the approval of the board of directors.

SECTION 7. Treasurer. The treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Cooperative;

(b) be responsible for the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and

(c) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned by the board of directors.

(d) Any or all of the foregoing duties and responsibilities of the treasurer may be delegated by and with the approval of the board of directors.

SECTION 8. CEO. The board of directors may appoint a CEO who may be, but who shall not be required to be, a member of the Cooperative. The CEO shall perform such duties and shall exercise such authority as the board of directors may from time to time vest in him.

SECTION 9. 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 may be required to give bond in such sum and with such surety as the board of directors shall determine. The board of directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

SECTION 10. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the board of directors, subject to the provisions of these bylaws with respect to compensation for directors and close relatives of directors.

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 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. Such patronage dividends shall be assigned in an aggregate amount equal to the Cooperative's Federal taxable income related to its patronage business, computed assuming no deduction for patronage dividend amount and after reduction for any losses and deductions incurred during prior years and deductible by the Cooperative in computing its current Federal Taxable income. All such amounts 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 patronage dividends. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they have 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.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board of directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Any such retirements of capital shall be made in accordance with policies established by the board of directors.

Capital credited to the account of each patron shall not be assignable except under the following circumstances: (i) upon conveyance of the premises being served to the successor in interest in that premises, pursuant to written instruction from a patron and upon board approval; (ii) to a patron's immediate family members, pursuant to written instruction from a patron and upon board approval; or (iii) as required pursuant to an order from a court of competent jurisdiction. For purposes of this paragraph, "immediate family members" is defined as the spouse, children (natural or adopted), and parents of a patron.

Notwithstanding any other provision of these bylaws, the board of directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representative 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 of directors,

Bylaws

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. The provisions of this article of the bylaws shall be called to the attention of each patron of the Cooperative by giving each a copy of the bylaws when application for membership is made. Such application will reference the bylaws and will be signed by the member.

SECTION 3. Patronage Capital in Connection with Furnishing Other Services. All other amounts received by the Cooperative from its patronage income shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any other fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as a part of the capital credited to the accounts of patrons as herein provided. As used herein, the term "amounts received by the Cooperative from its operations" shall refer to and mean patronage income that flows directly from the Cooperative and shall not include any loss/income arising out of the operations of a subsidiary owned, in part or whole, by the Cooperative.

ARTICLE VIII DISPOSITION OF PROPERTY

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 (2/3) of all of the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of directors 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 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 to the United States of America or any instrumentality or agency thereof; 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, unless a larger vote shall be required by law, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative doing business in this State pursuant to the Act under which this Cooperative is incorporated.

ARTICLE IX SEAL

The Corporate Seal of the Cooperative shall be in the form of a circle and shall have

inscribed thereon the name of the Cooperative and the words "Corporate Seal, State of Arkansas."

ARTICLE X FINANCIAL TRANSACTIONS

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

SECTION 2. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the board of directors.

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

SECTION 4. Changes in Rates. Written notice shall be given to the Administrator of the Rural Utilities Services of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 5. Fiscal Year. The fiscal year of the Cooperative shall begin on the first (1st) day of January of each year and shall end on the thirty first (31st) 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 members 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 of directors, purchase stock in or become a member of any corporation or organization organized on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of the Rural Utilities Services, or any other corporation for the purpose of acquiring electric facilities.

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

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

SECTION 4. Accounting System and Reports. The board of directors 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

Bylaws

any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Services of the United States of America. The board of directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative each year. Such audit reports shall be available to the members.

SECTION 5. Subsidiary. That nothing contained in Article 1 through Article XI of the By-laws of North Arkansas Electric Cooperative, Inc. shall be construed as prohibiting the Cooperative from forming, establishing and operating a wholly owned for Profit Corporation established for the purpose of providing fiber optic services. Specifically, the Cooperative may form, establish and operate a for Profit Corporation for the purpose of providing fiber optic services and any provisions of the above stated By-laws which might be inconsistent with the formation of such a for Profit Corporation shall be modified by this section to allow such action by the Cooperative.

ARTICLE XII AMENDMENTS

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

Revised November 2025