

Your Cooperative

As a new member of North Arkansas Electric Cooperative, you share in the ownership and governance of this cooperative. NAEC is a nonprofit organization, owned and operated by its members. The main objective is to provide members with the very best electric service at the lowest possible cost.

North Arkansas Electric Cooperative is a Touchstone Energy Cooperative. This means your cooperative is backed by an alliance of more than 700 cooperatives serving more than 30 million people across the nation. You benefit from the combined ideas and resources of cooperatives locally and nationally. In this alliance, all members gain strength.

As a cooperative, we adhere to the following seven principles:

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.

3. Members' Economic Participation

Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

5. Education, Training and Information

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.



Services Directory

General Inquiries

Mountain Home Office	(870) 425-2141
Salem Office	(870) 895-3221
Ash Flat Office	(870) 994-2191

North Arkansas Electric Management Contacts

Chief Executive Officer	(870) 895-6202
Human Resource Manager	(870) 895-6205
Member Service Manager	(870) 895-6201
Operations Manager	(870) 895-6240
Engineering Manager	(870) 895-6253
Manager of Finance and Accounting	(870) 895-6207
Manager of Information Technology	(870) 895-6238

Delayed Payments & Extension Arrangements

Mountain Home Office	(870) 508-5814
Salem Office	(870) 895-6261
Ash Flat Office	(870) 257-1210

New Services, Connects & Account Changes

Mountain Home Office	(870) 508-5819 or 5820
Salem Office	(870) 895-6220
Ash Flat Office	(870) 257-1209

Orange Room Reservations

Salem Office	(870) 895-6261
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What To Do If The Lights Go Out

Through ongoing maintenance, proactive vegetation control, and use of the latest technology, your cooperative is able to avoid numerous interruptions. Still, interruptions of your electric service can occur due to the severe weather, trees and other vegetation, animals, accidents, equipment failure, or maintenance to lines and equipment.

When they happen, the system is designed to prevent full-blown outages. When an object such as a tree branch, comes into contact with the power line, the system will shut down and restart immediately giving the item time to clear itself. What you see is a blink, and while blinks can be frustrating, they are a sign that an outage was prevented.

Full-blown power outages don't occur frequently, but rest assured when they do, your cooperative is fast to respond. Staff is on-call 24 hours a day, 365 days a year, just in case you need us.

If you do lose power, don't assume that others have already called in. You may be the only one without power or there could be damage that affects only your service. Contact the cooperative by calling 870.895.3221, 870.425.2141 or 870.994.2191. During a major outage, your cooperative may have an automated answering system working. We ask that you please call from the phone listed on your account and have your account number ready. Additionally, the cooperative will contact local radio stations, including KTLO and KSAR to provide updates.

Be kind and check on your friends and neighbors. Some people rely on electricity to power medical equipment. Remember if you operate a generator, be sure it is on an isolated circuit to prevent danger to crews working on lines. And ALWAYS assume that a downed line is energized.

During a major outage, the main goal is to restore power safely to the greatest number of members in the shortest time possible. The steps your cooperative will take to restore power are:

Step 1: Transmission Towers and Lines. Tens of thousands of people could be served by one high-voltage transmission line, so if there is damage here it gets attention first.

Step 2: Distribution Substations. If the problem can be corrected at the substation level, power may be restored to a large number of people.

Step 3: Distribution Lines. Once repaired, all members served by the same line could see the lights come on, as long as there is no problem farther down the system. Work is completed on the lines that affect the most members first.

Step 4: Service Lines. Sometimes damage occurs between your house and the transformer on the nearby pole. This can explain how you have no power when neighbors do.

Special Note: Individuals may receive special attention if loss of electricity affects life support systems or poses an immediate danger. Call your cooperative before an emergency arises.



Emergency Kit:

- Flash light
- Candles and Matches
- Batteries and Radio
- 1 Gallon of Water Per Person,
Per Day
- Non-Perishable Food
- Manual Can Opener
- Extra Clothes
- Blankets
- Durable Shoes
- Items To Pass The Time
- First Aid Kit
- Prescription Drugs
- Whistle
- Duct Tape

Food Safety:

If the power goes out, try not to open your refrigerator or freezer doors. The contents of a full fridge should keep for about six hours; the contents of a full freezer should last for as long as two days. Throw away food items that become warmer than 41 degrees. And if you're in doubt - throw it out!

Ten Ways To Save Energy



10. Use power strips on electronics. As technology advances, it takes more power to operate electronics. Take a large, flat screen TV for example; when it's turned off it still uses the same amount of electricity as a 75 watt light bulb. Plug your electronics into a power strip, and make sure they're completely off with the flip of a switch.

9. Lower the temperature of your water heater.

In most homes, the hot water temperature could be reduced without a drastic change in comfort.

8. Install CFLs. Compact fluorescent lights use up to 75% less energy than standard incandescent bulbs and they last up to 10 times as long.

7. Get a programmable thermostat. You can set it so the temperature adjusts when you are away from home or sleeping to decrease the amount of energy used to heat and cool your home.

6. Install a Marathon water heater. Marathon water heaters have a lifetime warranty against leaks and rust and have a 94 percent efficiency factor. NAEC members can lease one for as little as \$12 a month or they can buy them out right.

5. Adjust your lifestyle. You can make simple changes in your daily life, such as turning off lights when you leave a room or hanging your clothes to dry to reduce energy consumption.

4. Replace an aging heating and cooling system with an air source heat pump. Reduce your usage by installing an energy efficient air source heat pump. The cooperative will help you finance one at low interest for up to seven years through our Energy Resource Conservation Loan program.

3. Look for Energy Star®. This little star identifies the most energy efficient products available for appliances, lighting and electronics.

2. Teach your family. Increase your energy saving efforts by getting the whole family on board. In addition to saving immediately, you are helping the next generation of energy consumers become good stewards today.

1. Install a ground source heat pump. Get the most energy efficient heating and cooling system available today. A ground source heat pump uses the heat and coolness from the earth to make your home comfortable all year around. The cooperative will help you finance one at low interest for up to seven years through our Energy Resource Conservation Loan program.

Rate Schedule (Effective 4/01/2016)

Residential and Small Commercial

Distribution Charge -10	\$0.66
Distribution Charge -30	\$1.21
All Summer kWh	\$0.10466/kWh
0-500 Winter kWh	\$0.10466/kWh
Excess kWh (winter)	\$0.08394/kWh

Large Power Service

Distribution Charge	\$2.52
Summer kW Demand	\$10.24/kW
Winter kW Demand	\$7.71/kW
All kWh	\$0.05673/kWh

Large Power Off-Peak

Distribution Charge	\$1.66
Off-Peak Billing Demand	\$1.37/kW
All kWh	\$0.05193/kWh

Customers on Off-Peak rate may only use power during those times the cooperative or its wholesale power supplier is not peaking. Cooperative will have the right to install load control devices to switch service off during peak periods.

Security and Street Lighting

LED 175 69 W	\$9.85	25 kWh/mo
100 HPS or 175 W MVL	\$9.90	40/70 kWh/mo
250 W HPS	\$15.49	100 kWh/mo
400 W MVL/400 W Metal Halide	\$15.59	160 kWh/mo
400 W HPS	\$30.41	160 kWh/mo
1,000 W MVL/1,000 Metal Halide	\$30.82	400 kWh/mo
1,000 W HPS	\$43.16	400 kWh/mo
1,500 W MVL	\$43.49	600 kWh/mo

If a pole has to be set for the light, a flat charge of \$500 per pole will be assessed. Power Cost Adjustment and Cost of Debt Adjustment are also assessed on the calculated kWh each lamp uses, based on 335 burning hours per month. Note: The kWh's are for adjustment purposes only. Residential and Small Commercial rates per kWh are not charged on security light kWh. All taxes apply.

Large Power Service - Optional

Distribution Charge	\$4.13
All kW Demand	\$0.28/kW
All Coincident kW Demand	\$10.52/kW
All kWh	\$0.057041/kWh

Load Management

Air Conditioning (M1)	\$1.68/kVA
Water Heating (M2)	\$2.25/unit

M1: Control of Air Conditioners

Qualifying members will receive a credit of \$1.68 per kVA of connected compressor capacity controlled from June 1 through September 30. Credit shall not apply to installations using under 500 kWh during the month and shall not exceed 20% of the monthly energy charge before the application of the credit. Credit shall be applied at the end of each month.

M2: Control of Water Heaters

Qualifying members will receive a credit of \$2.25 per water heater controlled for the period of June 1 through September 30. Credit shall not exceed 20% of the monthly energy charge before the application of the credit. Credit shall be applied at the end of each month.

The Cooperative shall have the right to interrupt service to the water heater/air conditioner for a 5 hour period during peak load

conditions. Said interruptions shall occur from June through September or during emergency conditions which may occur during any time of the year.

TAXES AND OTHER ADJUSTMENT CHARGES AND/OR CREDITS

Cost of Debt Adjustment

This adjustment clause allows the cooperative to pass on increases or decreases in its cost of debt above or below an amount established by the PSC. The adjustment factor and its resulting dollar amount are always printed on your bill. Multiplying the factor by the total number of kWh gives the dollar amount.

Taxes

Local and state sales taxes, and city franchise fees for those whose service is located inside the city limits of an incorporated municipality, are added to above amounts.

Distribution Charge

Much of the cost of providing electric service to our members is for building and maintaining service. The distribution charge is based on fixed costs such as the cost of materials for the power lines, meter and transformer, taxes on property, interest on borrowed money, maintenance, and billing - those costs associated with keeping power available even if no electricity is ever used. As a nonprofit cooperative, we try to design rates which reflect the actual costs of providing electric service. The distribution charge is intended to cover the fixed costs of the service.

Power Cost Adjustment

A power cost adjustment is factored into the bill for each kWh used. This adjustment clause was approved by the PSC to allow the cooperative to pass on any monthly decrease or increase in the cost of generating electricity, especially fuel cost fluctuations, without having to go through the lengthy and costly process of filing for minor rate changes. The factor per kWh and the dollar amount is printed on your bill.

Additional Charges

The following is a list of charged you may have to pay under certain circumstances in addition to your electric bill.

Membership Fee	\$25.00
Deposit from Applicant	\$180.00
Deposit from Landlord	\$180.00
Returned Check Fee	\$15.00
Meter Test Fee	\$25.00
Collection Fee	\$40.00
Connect/Reconnect Fee	\$50.00
Construction Trip Charge	\$75.00
Meter Tampering Investigation Charge	\$125.00
Staking Trip Charge	\$50.00

(1) The Cooperative will assess this fee only if work cannot be performed. (2) The Cooperative will charge a fee of \$50.00 if Cooperative personnel perform more than 2 trips to a location when a new service or upgrade is requested.

An explanation of these charges can be found in the "Summary of Rights and Obligations". Additional deposits may apply. Sales taxes are added to these charges.



Value Added Services

Marathon[®]

When it's time to replace your water heater, replace it with a Marathon energy efficient, electric water heater. A marathon electric water heater is maintenance free, warranted not to leak for as long as you own your home and you can buy or lease it at an affordable rate.

Marathon electric water heaters are available in a variety of sizes; offer energy savings with the highest efficiency available; are built with superior strength and durability; are easy to clean; and won't dent or scratch.

So when it's time to replace your water heater, go for the long run with a safe, energy efficient Marathon electric water heater. With our leasing program, our certified contractors will install your water heater within cost guidelines of the program and provide all service at no charge. Call or stop by today for more information



Power surges can strike at any time, damaging and even destroying sensitive home and office electronics.

Being prepared for these unexpected surges can help you protect valuable equipment such as computers, televisions, satellite systems and microwave ovens.

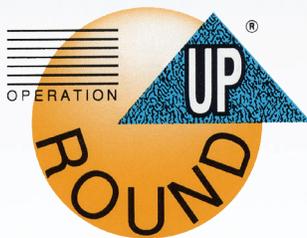
Power surges are often caused by lightning, but interferences with the power lines can cause them as well. Construction work, demand fluctuations in your office, and even disturbances transmitted through telephone and cable lines can also have the same effect.

To safeguard your home or office against damaging power surges, North Arkansas Electric offers affordable surge protection systems. From meter-based devices to plug-in surge suppressors, we have the equipment to protect your electronic investments. Call us for more information.

SURGE PROTECTION

AUTOMATIC BANK DRAFT

Save time and postage with North Arkansas Electric's automatic bill payment plan. You can pay your electric bill without writing a check or making special arrangements when you're out of town. Simply authorize your cooperative to debit your checking account for the amount of your monthly bill through automatic draft or charging the payment to a debit or credit card. You will continue to receive an itemized bill each month, and the bill amount will be withdrawn or charged to you the same time each month. For more information on how to make paying your electric bill even easier, call us today.



A little change makes a big difference. You can help make a big change in people's lives, with just a little change from your electric bill, when you participate in Operation Round Up[®]. Operation Round Up[®] is a voluntary support program that helps fund community projects and educational scholarships for area youth.

All you have to do is allow NAEC to round up your electric bill to the nearest dollar. For example, if your bill was \$59.80, it would round up to \$60.00. The average contribution is approximately \$6 per year, and it's tax deductible. If all NAEC members participated, we could generate

thousands of dollars a year for our community.

We hope you will participate and help us show how a little change can make big differences in our community. To enroll, contact any one of our three local offices or go online to www.naeci.com.

Operation Round Up



Value Added Services

PERSONAL EMERGENCY RESPONSE



North Arkansas Electric has always been committed to providing our members and North Arkansas with products and services to enhance their comfort and improve their life. The Personal Emergency Response Systems provide you or your loved ones with peace of mind and personal safety. The system is there when you or someone you love needs help. The Personal Emergency Response System allows you the freedom, confidence, and security to live on your own.

The only system requirements you need are a telephone line and electrical outlet. You will also need to provide a list of emergency numbers, as well as numbers of friends, relatives or neighbors who can respond quickly if an emergency occurs. Additionally, North Arkansas Electric Cooperative works closely with local health

networks, doctors and area Medicaid agencies to ensure hassle free service and billing. The Personal Emergency Response Systems are monitored 24 hours a day by well trained and courteous operators.

LOAD MANAGEMENT SWITCHES

Let us pay you! Our load management program is strictly voluntary and allows the cooperative to install a device on your air conditioner and/or electric water heater. The cooperative can utilize this device to cycle off your appliances during times of extreme demand for electricity from June through September. Participating members will receive a credit on their bills four months out of the year. A credit of \$1.68 per kwh of connected compressor capacity for air conditioners and \$2.25 per water heater. Credit shall not apply to installations using under 500 kwh during the month and shall not exceed 20% of the monthly energy charge before the application of the credit.



SAFETY EDUCATION PROGRAMS

At North Arkansas Electric Cooperative safety is our number one priority for both our employees and members alike. That's why we provide safety education programs for all ages. From magic shows for elementary children, to safety demonstration trailers for fire departments and similar emergency response organizations, we have something for everyone. Contact any one of our three district offices to schedule a demonstration for your group today.

ENERGY EFFICIENCY CONSERVATION LOAN PROGRAM

NAEC has low interest loans available to help you make energy efficient improvements to your home or business. By making these improvements, you can significantly reduce energy usage and lower your electric bill. You may use these low interest loans to finance heat pumps and other energy improvements such as LED lighting retrofits and weatherization measures. To qualify, the heat pump must have a high efficiency rating and be sized according to NAEC design requirements.

Our low interest rate and monthly installment plan make your loan payments easier on your budget. With approved credit, you may borrow the money now to make improvements; then, take up to seven years to repay the loan. Certain requirements apply, so be sure to contact us before buying your new equipment.



Payment Options

Online	Access your account online at www.naeci.com and click on “My Account Info”
Automatically	You can sign up to have your monthly bill directly withdrawn from your bank account or charged to a credit or debit card. These options are the most cost-effective way for your payment to be processed.
By Phone	Call during office hours (8 am to 4:30 pm) to make a payment by credit or debit card.
By Mail	Mail your payment to PO Box 1000, Salem, AR 72576. Allow enough time for the payment to reach our office; the cooperative is not responsible for postal delays.
In Person	Bring your payment to the any one of our three local offices. Payments can be made in person or in the 24-hour drop box. NAEC is not responsible for cash left in the drop box.
Extensions	If you need a little extra time to pay your bill, contact anyone of our offices to extend your bill a few days.
Delayed Payment Agreements	If you need more than a couple of days, the cooperative will make arrangements for you to pay a bill in four equal installments in addition to the current bill.
Shut-Off Notice	A shut-off notice may be mailed if payment is not received in our office by the 15th of the month.
Phone Notification	The cooperative may attempt to contact you via phone about a past due balance to help you avoid further charges on your account.
Posting Notice	A notice may be posted at your residence 24 hours prior to disconnection. A trip fee will be assessed for this posting.
Disconnection of Service	If attempts to contact you and make reasonable arrangement are not successful, your electric service may be disconnected. This will also result in a trip fee being assessed to your account.
Reconnection of Service	Your power will be reconnected when payment for the past due amount has been received or when other reasonable arrangement have been made. Reconnection will result in a trip charge, which may be greater if requested after business hours.

Energy Theft . . . It's Against the Law

Power theft is considered punishable by law and at North Arkansas Electric Cooperative all known instances are turned over to the proper authorities – whether county or city – to prosecute. Power theft is not only considered a crime, but it is a dangerous situation for all involved which could result in serious injury or death.

If you suspect someone is stealing power, we ask that you contact one of our three local offices immediately and to ensure your safety, do not try to correct the situation yourself.



Rights & Obligations

Anytime you feel that we are not providing satisfactory service or not answering your questions satisfactorily, you may contact the Public Service Commission, 1000 Center, Box 400, Little Rock, AR 72203. Phone: 1-800-482-1164, or (501) 682-1718.

I. RATES: A copy of our current rates can be obtained from one of our offices in person or by mail. All rates are subject to change under order of the PSC and are subject to the following adjustments:

A. Power Cost Adjustment: If the cooperative's wholesale power costs increase or decrease from that filed with the PSC in our rate schedule, the same increase or decrease will be reflected in an adjustment on your electric bill. The adjustment factor per kWh and the resulting dollar charge or credit will be shown on the detail of your bill. The dollar amount is determined by multiplying the adjustment factor times the kWh used.

B. Tax Adjustment: If a new or revised excise, license, privilege or franchise tax (except ad valorem and income taxes) is imposed on the cooperative, the bills of those members who have service in the jurisdiction of the taxing bodies will reflect the same increase or decrease as that of the tax. The amount of the tax will be listed on the bill.

C. Cost of Debt Adjustment: This adjustment clause allows the cooperative to pass on increases or decreases in its cost of debt above or below an amount established by the PSC. The adjustment factor and its resulting dollar amount are always printed on your bill. Multiplying the factor by the total number of kWh gives the dollar amount.

II. BILLING PROCEDURES: The automated meter readings are recorded around the end of each month. The bills are calculated and mailed on the first day of the month or as close to the first as possible. All bills will contain the following information:

- A. Member's name
- B. Period covered by the bill
- C. Current and previous meter reading
- D. Number of kWh used
- E. Charges for electricity, all taxes, charges for non-utility merchandise or services purchased through the utility.
- F. Any previous balance due
- G. Date bill was mailed
- H. Total amount of bill
- I. Due date of bill
- J. Rate code applicable to the bill
- K. Charges for any adjustment clauses
- L. Name, address and phone number of the cooperative

III. PAYMENT DEADLINES AND PROCEDURES:

A. Payment Procedures: You may pay your bills at any of the local offices, night depositories, bank draft program, and website or use the return envelope which is processed through the local postal system.

B. Payment Deadlines: Bills are payable the day they are received and become due 14 days after the day they are mailed. If bill payment is not received in our office on or before the due date, a "Shut-Off Notice" will be sent. Service may be disconnected for non-payment if payment or arrangements for payment have not been made within eight days of the mailing of the "Shut-Off Notice."

C. Underbilling Correction: If the cooperative bills a consumer for a previous underbilling, the consumer will be permitted to pay over a period of time equal to that during which the underbilling occurred. No finance charge will be applied.

IV. VERIFICATION OF BILLS: The bills are calculated from the automated meter readings using the current rate schedule. If an error occurs and is justified, an adjustment will be done to correct the statement. If an overpayment is made due to the adjustment, your account will be credited on the next billing statement unless the member requests otherwise.

V. METER READINGS: Although the cooperative retrieves readings

automatically, members can still read their meter(s) for personal records. The dial on your meter measures the kWh used and reads exactly like the odometer on your car. Read your meter from the left to right. In order to determine how many kWh's you have used, simply read your meter and subtract the previous reading from the reading taken. This will give you the number of kWh's used from one reading to the next. Read your meter and record the reading exactly as it appears on the meter, including all zeroes.

VI. DEPOSIT REQUIREMENTS:

A. Memberships: Each company, firm or individual who receives service from North Arkansas Electric must pay a \$25.00 membership fee prior to connection of service. This membership fee will be held by the cooperative as long as service is continued and is refundable by application to the final bill when all services are terminated by the company, firm, or individual.

B. Service Deposits: Each company, firm or individual applying for service from North Arkansas Electric may be required to pay a service deposit to ensure settlement of each account. The service deposit may equal but not exceed an amount equal to an average two months' bill. The cooperative will explain the reason for any deposit and that the deposit may be paid in two installments.

Residential deposits will accrue interest as approved by the PSC and will be refunded plus interest after a one-year period of good payment record by the consumer. Additional deposits, equal to the two highest bills during the past 12 months, may be required if an account is disconnected for non-payment, or paid by bad check two times during any previous 12-month period. In case of any additional deposit, customer will receive written explanation for deposit and given the option of paying in installments with electric bills. New residential accounts will not have to pay a deposit if evidence is presented of good payment record with any electric utility for a 12-month period.

Instead of a deposit, the cooperative will accept a written guaranty from a qualified third party to pay an amount equal to the deposit. Guaranty Agreements are available at any cooperative office and must be signed in person by the guarantor and a cooperative representative. Commercial deposits collected are not refundable until the account is closed.

VII. DISCONNECT/RECONNECT PROCEDURES:

A. Disconnect by Member Request: If you wish to have a service disconnected, you need to give us a five-day notice. Normally, we will disconnect a service the same day or the following day it is requested. However, you remain responsible for electricity used at the service until it is disconnected or 5 days after the request, whichever comes first. You may request a disconnect by letter, phone or in person.

B. Other Reasons For Disconnects: The cooperative may disconnect service after proper notification for any of the following reasons:

1. Failure to pay a delinquent bill
2. Failure to comply with any payment agreements
3. Failure to post a deposit
4. Misrepresentation of your identity or facts to obtain service
5. Unauthorized or fraudulent use of service
6. Refusal to grant access to cooperative property
7. Violation of service rules
8. Violation of laws through use of service
9. Abandonment of premises served
10. Injury or threats to employees, their families, or cooperative property.

C. Shutoff Notice: Before service is disconnected, we will first try to eliminate the reason for disconnection. We will give you at least a five-day written notice (eight days if mailed) of the reasons for disconnect-



Rights & Obligations Cont'd

tion. This notice may be delivered to you personally, left in a conspicuous place on your premises, or mailed. If cooperative personnel collects a delinquent at the service location, a \$40.00 collection fee will be charged.

D. Time of Disconnects: (Other than by member request)

1. Date specified on notice between 8:00 a.m. and 3:30 p.m., Monday through Friday.
2. Cannot disconnect when temperature is forecast to be 32 degrees or below or 95 degrees or higher.
3. You may pay your delinquent bill any time prior to actual disconnection.

E. Reconnects:

1. If disconnect was by member request, reconnect is handled the same as a first time service.
2. Otherwise, reconnects will be made when reasons for disconnection have been eliminated.
3. Reconnect will be given precedence if cooperative was at fault. If the member was at fault, reconnects shall be made during normal course of the work load.
4. Cooperative may refuse to reconnect until ordered by the PSC if disconnect was for unlawful or fraudulent reasons.
5. Cooperative may require reasonable payment for estimated service in case of fraudulent use.
6. A reconnect fee of \$50.00, plus tax, will be charged if disconnect was fault of the member. A returned check fee of \$15.00 will be charged if a check is returned for any reason other than bank error.

VIII. EXTENDED PERIODS OF ABSENCE:

We have several payment options, which will allow a member who is away for an extended period of time to avoid suspension of service.

IX. THIRD PARTY NOTIFICATION: If you feel there may be circumstances under which a consenting third party may be able to prevent disconnection of service, we will send the third party a copy of all "Shut-Off Notices." If you wish a third party to be notified, you will need to present the cooperative with the name and address of the third party along with a signed statement by the third party authorizing us to send them a notice.

X. DELAYED PAYMENTS: You may make delayed payments under the following procedures. You must make arrangements for delayed payment by the last day to pay printed on the Shut-Off Notice.

A. Initial Partial Payment: Up to one-fourth of the delinquent amount must be paid by the close of business within three business days of the date the agreement is made.

B. Written Agreement for Balance: You must sign a written agreement to pay the balance of the bill in regular installments. You may have up to three months to pay the balance.

C. Written Agreement for Future Bills: You must also sign a written agreement to pay all future bills in full as they come due during the period of agreement for partial payments.

D. Consequences: If you fail to meet the conditions of the agreement, your service may be terminated without further notice. You may also be refused future delayed payment agreements for a period of twelve months.

XI. EXTENDED DUE DATE PLAN: You may apply to have your regular due date extended if your income is from Aid to Families with Dependent Children (AFDC), Aid to the Aged, Blind and Disabled (AABD), Supplemental Security Income (SSI), Social Security or Veterans Administration disability or retirement benefits. You may also enter into an extension agreement to delay the payment of your current due bill for up to 30 days.

XII. LEVELIZED BILLING PLAN: Any qualifying residential customer may request to be placed on levelized billing. Under this plan, the amount of the current bill will be based on the average amount actually owed during the most recent twelve months, plus or minus one-twelfth of the balance owed or credited.

XIII. MEDICAL EMERGENCIES: If you receive a "Shut-Off Notice" from

the cooperative, we will postpone termination of service, or reconnect previously terminated service, for up to 30 days if it is likely that termination of service will aggravate a serious illness, pose risk of death or impair the health of anyone living in the household where service is located. Cooperative may require certification of the illness by a health-care provider. Certificate may be presented after notification by phone.

XIV. ELDERLY AND HANDICAPPED: Qualifying elderly and/or handicapped members will be given special attention and consideration in regard to their electric service. "Elderly" is a person who is a residential consumer age 65 or older. "Handicapped" is a person who is a residential consumer who has a permanent severe physical or mental impairment which substantially limits the ability to pay electric bills and who is certified as being physically or mentally disabled by a physician or other qualified person, agency or organization.

XV. TENANTS/LANDLORDS: Certain landlords/tenants will receive special consideration regarding a request to disconnect rental locations. "Landlord" here means the owner, agent, manager, or lessor of premises in regard to which he receives rent or lease payments which include amounts for payment of electric service. A "tenant" is a person occupying these premises. If you qualify as elderly/handicapped or landlord/tenant, please contact the cooperative for full details of these special considerations.

Statement of Nondiscrimination

North Arkansas Electric Cooperative, Inc. is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture which prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal and, where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or if all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.)

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

Individuals who are deaf, hard of hearing, or have speech disabilities and wish to file either an EEO or program complaint please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish).

Persons with disabilities who wish to file a program complaint, please see information above on how to contact us by mail directly or by email. If you require alternative means of communication for program information (e.g., Braille, large print, audiotape, etc.) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

The person responsible for coordinating this organization's nondiscrimination compliance efforts is Steve Hall. This Institution is an equal opportunity provider and employer.

Revised April, 2014



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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 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

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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, addressed 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 in person, 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 in person, whichever shall be larger, shall constitute 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 at a meeting 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 or these bylaws.

SECTION 6. Proxies. A member may vote by proxy in connection with an amendment to the articles of incorporation or any motion or resolution pertaining to the borrowing of funds by the Cooperative. A member may vote by proxy or by mail, as determined by the board of directors proposing the amendment, motion, or resolution. No proxy shall be voted at any meeting of the members unless it shall designate which particular meeting in which it is to be voted and designate the person authorized to exercise the proxy, and no proxy shall be valid after sixty (60) days from the date of its execution. The presence of a member at a meeting of the membership shall revoke a proxy theretofore executed by the member.

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. election of directors;
6. unfinished business;
7. new business; and
8. adjournment.

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) If an election of directors shall not be held on the day designated 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.

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

SECTION 3. Qualifications. No person shall be eligible to become or remain a director of the Cooperative who (a) is not a member and is not receiving electric service from the Cooperative at their place of residence in the county which they represent; or (b) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to 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.

Nothing contained in this section shall affect in any manner whatsoever the validity of any

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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 ten percent (10%) of the membership. 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. Nothing contained herein shall, however, prevent additional nominations from being made from the floor at the meeting of the members. 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. 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 6. Vacancies. Vacancies caused by the removal of a director or directors pursuant to Article IV, Section 5, 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 7. 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. 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 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



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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: 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;

- (a) see that all notices are duly given in accordance with these bylaws or as required by law;
- (b) 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;
- (c) keep, or cause to be kept, a register of the names and post office addresses of all members;
- (d) sign, with the president, certificates of memberships the issue of which shall have been authorized by the board of directors or the members;
- (e) have general charge of the books of the Cooperative;
- (f) 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
- (g) 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.
- (h) 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 obliged to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses, at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each 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, 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



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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 operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any 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.

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 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

AMMENDMENTS

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.

