

Your Cooperative

As a new member of North Arkansas Electric Cooperative, you share in the ownership and governance of this cooperative. NAEC operates as a not-for-profit organization, owned and operated by its members. The main objective is to provide members with the 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.



Payment Options

Online

Access your account online at naeci.com. Click on “Account Login” to get started.

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 a.m. to 4:30 p.m.) 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 on or before the due date of the 3rd.

Phone Notification

The cooperative may attempt to contact you via phone the first time you have a past due balance.

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 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 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.



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 Resources Vice President	(870) 895-6219
Member Services Vice President	(870) 895-6239
Operations Vice President	(870) 895-6240
Engineering Vice President	(870) 895-6253
Chief Financial Officer	(870) 895-6291
Information Technology Vice President	(870) 895-6208

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

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!

NAEC Rate Schedule

Residential and Small Commercial

Distribution Charge - 10	\$1.14
Distribution Charge - 30	\$2.29
All Summer kWh	\$0.12648/kWh
1-500 Winter kWh	\$0.12648/kWh
Excess kWh (Winter)	\$0.10576/kWh

Large Power Service

Distribution Charge	\$6.00
Summer kW Demand	\$13.82/kW
Winter kW Demand	\$11.79/kW
All kWh	\$0.06899/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

175 W MVL or 100 HPS	\$12.04
250 W HPS	\$18.53
400 W MVL	\$18.65
400 W Metal Halide	\$18.43
400 W HPS	\$35.76
1,000 W MVL	\$35.34
1,000 W Metal Halide	\$36.93
1,000 W HPS	\$49.72
1,500 W MVL	\$50.09
Residential	\$11.88
Commercial Street	\$19.84
Commercial Directional	\$23.10
Decorative Street Light	\$12.74

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 assessed on the calculated kWh each lamp uses, based on 335 burning hours per month. Residential and Small Commercial rates per kWh are not charged on security light kWh. All taxes apply.

Large Power Service - Optional

Distribution Charge	\$6.00
All kW Demand	\$2.00/kW
All Coincident kW Demand	\$14.24/kW
All kWh	\$0.06899/kWh

Load Management

Air Conditioning ^{M1}	\$2.43/kVA
Water Heating ^{M2}	\$4.33/unit

M1. Control of air conditioners: Qualifying members will receive a credit of \$2.43 per kVA of connected compressor capacity controlled from June 1 through Sept. 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 credit. Credit shall be applied at end of each month.
M2. Control of water heaters: Qualifying members will receive a credit of \$4.33 per water heater controlled for the period of June 1 through Sept. 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 not-for-profit 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 charges 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 ¹	\$75.00
Meter Tampering Investigation Charge	\$125.00
Staking Trip Charge ²	\$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 two trips to a location when a new service or upgrade is requested.

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



A Touchstone Energy® Cooperative 

Rights and Obligations

Any time you feel that North Arkansas Electric Cooperative (NAEC) is not providing satisfactory service or not answering your questions satisfactorily, you may contact the Arkansas Public Service Commission (PSC). The PSC address is 1000 Center Street; P.O. Box 400; Little Rock, AR 72201. The PSC's phones are (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 stub 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: If the cooperative's cost of long-term debt increases or decreases, an adjustment will be made in the cooperative's basic rate schedule to reflect the changes. Any changes in the rate schedule resulting from the application of this adjustment will be detailed in the cooperative's pages in Arkansas Living magazine.

II. BILLING PROCEDURES: The automated meter readings are recorded at the end of each month. The bills are calculated and mailed around the 10th of the month. 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 NAEC's offices, night depositories,

website or app; enroll in the draft program; or use the return envelope that is processed through the postal system.

B. Payment Deadlines: Bills are payable the day they are received and become due approximately 25 days after the day they are processed, which is around the 10th of the month. If bill payment is not received by NAEC on or before the due date of the 3rd, a shut-off notice may be sent. Service may be disconnected for non-payment if payment or arrangements for payment have not been made within approximately 10 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.

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 like the odometer on a car. Read your meter from the left to right. To determine how many kWhs you have used, read your meter and subtract the previous reading from the reading taken. This will give you the number of kWhs 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 NAEC 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 NAEC 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 billed in two installments. The deposit 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, the member will receive written explanation for deposit and given the option of paying in installments with electric bills. New accounts will not have to pay a deposit if evidence is presented of good payment record with any electric utility.

Instead of a deposit, the cooperative will accept a written guaranty from a qualified

Rights and Obligations

third party to pay an amount equal to the deposit. Guaranty agreements are available at any cooperative office or by mail and must be signed by the guarantor and a cooperative representative.

VII. DISCONNECT/RECONNECT PROCEDURES:

A. Disconnect by Member Request: If you wish to have a service disconnected, you need to give NAEC a five-day notice. Normally, NAEC 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 five 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. Disconnect 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 disconnection. This notice may be delivered to you personally, left in a conspicuous place on your premises, or mailed. If cooperative personnel collect 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 a.m. and 3:30 p.m., except weekends, holidays and the day prior to them.
2. Cannot disconnect when temperature is forecast to be 32 degrees Fahrenheit or below or 95 degrees Fahrenheit or above.
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 workload.
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: The following options are available to members to avoid suspension of service during extended absences.

A. Different Address: If you plan to be gone more than one month, it would be advisable to leave with us an address where we can send a duplicate bill. This way you will continue to receive a bill while you are away.

B. Pre-Payments: If you plan to be away just one month, or if you cannot be reached at a different address, you may make a pre-payment. In this case, we will estimate the amount of your bill, based on previous billings, and let you pay in advance for the number of months you plan to be away.

C. Automatic Bill Payment Plan: You may enroll in an automatic bill payment plan whereby the bill will be paid by bank draft through your checking or savings account.

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 12 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 residential member 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 12 months, plus or minus 1/12th of the balance owed or credited. If a 12-month billing history is not available, the amount of your initial payment will be estimated based on average bills of the same class and type of service.

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. NAEC 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 member age 65 or older. "Handicapped" is a person who is a residential member who has a permanent severe physical or mental impairment that 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

Rights and Obligations

regarding the delinquent shut-off of electric service. “Landlord” here means the owner, agent, manager, or lessor of premises in regard to which he/she receives rent or lease payments that 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 is the recipient of federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture (USDA). In accordance with federal civil rights law and USDA civil rights regulations and policies, the USDA, its agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language,

etc.) should contact the state or local agency that administers the program or contact USDA through the Telecommunications Relay Service at 711 (voice and TTY). Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, on the “How to File a Program Discrimination Complaint” webpage at usda.gov and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Mail Stop 9410, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

The person responsible for coordinating NAEC’s nondiscrimination compliance efforts is the vice president of human resources.

NAEC is an equal opportunity provider and employer.

Revised September 2026



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



Rural Energy Savings Program Requirements

North Arkansas Electric Cooperative loans qualified members money at low interest for energy-efficiency improvements to their existing homes and businesses through the USDA Rural Energy Savings Program. NAEC's goal is not only to help members lower their energy costs but also to improve the comfort of their existing home or business through the installation of a new heat pump, additional insulation or other efficiency upgrades.

Loan Types

Loan applications shall be for one or more of the following types: residential, commercial, industrial, public, community buildings/facilities, structures used in agricultural operations and any other location deemed suitable by NAEC. (See back page for additional details and requirements for each loan type.) The loan interest rate is subject to change, but it is 1% for the duration of the loan as of Jan. 1, 2023.

Loan Application Process

Those who have been an NAEC member for at least six months may apply for a loan at naeci.com/loans. A paper version of the loan application also is available during business hours at NAEC's offices in Salem, Ash Flat and Mountain Home.

NAEC Member Services personnel handle the administration of the RESP program. They review an applicant's credit report, NAEC payment history, amount requested, type of qualifying activity, location, etc. as well as potential savings in deciding whether to approve the loan. The review usually takes one business day after the completed application is submitted.

Steps After Approval

If approved, a Member Services representative reviews the loan process with the borrower, including liens, copy of warranty deeds, audits and/or blower-door tests (if needed), necessary documents, invoices and payment procedures. Results of the audit and/or blower-door test must show the installation of energy-efficiency measures would be cost effective and reduce the overall energy consumption of the structure.

Ordering or installation of equipment and energy-efficiency measures to be financed may not begin until the loan is approved and funds are available. Upon completion of the job to be financed, all invoices must be submitted to NAEC for preparation of loan closure. Upon closing, a check is written to the borrower who is responsible for getting payment to the contractor. NAEC will not advance funds to the borrower or the contractor without assurance that the work has been completed properly.

Loans have a maximum repayment schedule of 10 years. (See back page for maximum repayment schedule for each loan type.) All loans that exceed \$20,000, except for on- or off-grid renewable energy systems, require board approval. Minimum loan amounts are set at no less than \$1,000.

Liens on financed equipment are attached to the property and filed with the Arkansas Secretary of State Office and in the county in which the property lies within seven to 10 days of the document signing. A fee of \$50 is charged to the borrower for filing the required forms. Scheduled loan payments are billed monthly, and statements of principal and interest paid are sent to the borrower each January.

Borrowers must agree to a possible inspection of conservation measures installed within six months of installation by the auditing Member Services representative.

Member signature

Account number

Employee

Date



Rural Energy Savings Program Loan Types

HVAC

RESP can finance the installation of air-source and geothermal heating and cooling. If application is approved, then an NAEC energy adviser will conduct a blower-door test and an energy audit to determine the appropriately sized unit. The borrower may select the dealer; however, the dealer must be licensed with the state of Arkansas. NAEC maintains a list of local dealers who are licensed in Arkansas. The co-op also recommends the dealer have valid liability and workers' compensation insurance. Maximum loan length is eight years for a mini-split and air-source heat pump; it is 10 years for a geothermal system.

LED Lighting

RESP can finance energy-efficient lighting, including LED installations and retrofits. An NAEC energy adviser must calculate potential savings. Maximum loan length is five years for a residential installation and 10 years for a commercial installation.

Building Envelope Improvements and Air Sealing

RESP can finance various building envelope improvements including, but not limited to, the following applications: ENERGY STAR® windows and doors; insulation for ceiling, floor or wall; duct work; and certain roofing applications. Weatherization loans require an energy audit by an NAEC energy adviser. Funds may cover the cost of labor and materials for all listed energy-conservation measures. If the member installs the materials, the loan will be limited to financing of materials only. Maximum loan length is five years for a loan of less than \$5,000 and 10 years for a loan of \$5,000 or more.

Energy-efficient Appliances

RESP can finance the purchase of energy-efficient appliances. They must be ENERGY STAR®-rated and a permanent fixture to the location. Photos of the appliances, including the ENERGY STAR® label, are required. Maximum loan length is five years.

Motor Systems, Irrigation or Water Systems, Compressed-air Systems, Energy-storage Devices, Commercial Energy Audits and EV Chargers

Financing of these loans will require the assistance of the NAEC Engineering department regarding recommendations and inspections. Maximum loan length varies based on amount of loan.
