

BYLAWS OF CLAY COUNTY ELECTRIC COOPERATIVE CORPORATION

[Amended: 01-25-2001]

[Amended: 02-06-2006] – Article III Section 2

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[Amended: 12-18-2008] – Article III Section 3

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[Amended: 11-23-2009] – Article III Section 3

[Amended: 05-05-2011] – Article II Section 3

[Amended: 03-28-2013] – Article IV Section 3

Article I Memberships

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

- a) Made application for membership therein;
- b) Agreed to comply with and be bound by the Articles of Incorporation and bylaws of the Cooperative and any rules and regulations adopted by its Board of Directors.
- c) Paid the membership fee hereinafter specified.

No member may hold more than one (1) membership in the cooperative, and no membership in the Cooperative shall be transferable, except as provided in the bylaws of the Cooperative.

A husband and wife may apply for a joint membership, subject to compliance with the foregoing requirements.

SECTION 2. Membership Fees. The membership fee shall be twenty-five dollars (\$25.00). Upon payment of which a member shall be entitled to service(s) existing or to be constructed. [Deposits] the amount that the Cooperative shall charge will be determined by the Board of Directors, from time to time as required.

SECTION 3. 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 one's application for membership. Each member shall pay therefore monthly at rates which shall from time to time be fixed 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 the amounts paid for

electric energies, in excess of the cost of service, are furnished by members as capital. 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 by one to the Cooperative as and when the same shall become due and payable.

SECTION 4. Non-liability for Debts of the Cooperative. The private property of the members of the Cooperative shall be exempt from execution or other legal process for the debts of the Cooperative and no member shall be individually liable for any debt or liabilities of the Cooperative.

SECTION 5. Expulsion of Members. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who shall violate or refuse to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these bylaws or any rules or regulations adopted by the Board of Directors. Any member so expelled may be reinstated as member by a vote of the members at any annual or special meeting of the members or by the affirmative vote of two-thirds (2/3) of the Board of Directors. The action of the members, with the respect to any such reinstatement, shall be final.

SECTION 6. Withdrawal of Membership. Any member may withdraw, from membership upon payment in full of all debts and liabilities of such membership in the Cooperative, upon compliance with such terms and conditions, as the Board of Directors may prescribe.

SECTION 7. Transfer and Termination of Memberships.

- (a) Membership in the Cooperative shall not be transferable, except as herein otherwise provided: upon death, cessation of existence, expulsion or withdrawal. Upon such conditions the membership will terminate. Termination of membership in any other manner shall not release the member from the debt or liabilities of such member to the Cooperative.
- (b) A membership may be transferred by a member to himself/herself and his/her spouse jointly, upon the written request of such member and compliance by such husband and wife jointly, upon the provisions of subdivisions (b) and (c) of Section 1 of this Article. Such transfer shall be made and recorded on the books of the Cooperative representing the membership so transferred.
- (c) When a membership is held jointly by a husband and wife, and upon death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him/her, as the case may be, and upon the recording of such death on the books of the Cooperative, in the name of the survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

SECTION 8. Removal of Directors and Officers. Any member in good standing may bring charges against an officer or director by filing written charges with the Secretary of the Cooperative, together with a petition signed by ten percentum (10%) of the members of the Cooperative requesting the removal from office of the officer or director charged.

The written charges shall specify the grounds for removal which shall be limited to:

- a) habitual failure to attend meetings of the Cooperative or Board of Directors,
- b) negligence or inattention to the Cooperative business that causes loss or damage to the Cooperative,
- c) conviction of a felony or other infamous crime, and for acts of dishonesty or acts involving moral turpitude, which reflect unfavorably upon the Cooperative or involve Cooperative business.

The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting, having regard, insofar as applicable to the Articles of Incorporation and bylaws pertaining to the selection and election of such officers. The Director or officer against whom such charges have been brought shall be informed in writing of the charges at least thirty (30) days prior to the meeting, and shall be informed of the names of the witnesses against one, and shall have an opportunity at said meeting to be heard in person and by counsel and to present evidence in one's own behalf, and the person or persons bringing the charges against one shall have the same opportunity. Removal of a director before the expiration of one's term shall be by a majority vote of the members of the Cooperative.

ARTICLE II MEETINGS OF MEMBERS

SECTION 1. Annual Meetings. The annual meeting of the members shall be held during June, July, August, or September. A day to be determined upon by the Board of Directors, having regard for the convenience of a majority of the members, to be designated in the notice of the meeting, for the purpose of electing directors; passing upon reports covering the previous fiscal year; and transacting such other business, as may come before the meeting. If the election of directors shall not be held on the day of the regular annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as convenient. Failure to hold the annual meeting, on a day during one of the aforesaid months, shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. Special Meetings. Special meetings of the members shall be called by at least five (5) directors or upon a written request signed by a least ten percentum (10%) of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. Special meetings may be held at any place specified in the notice.

SECTION 3. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose(s) for which meeting is called, shall be delivered not less than ten (10) days nor more than twenty (20) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or by the persons

calling the meeting, to each member including all meetings at which directors are to be elected. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at ones' address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of any annual or special meeting of the members, shall not invalidate any action that may be taken by the members at any such meeting.

SECTION 4. Quorum. As long as the total number of members does not exceed one thousand (1,000), at least fifteen percentum (15%) of the total number present in person, shall constitute a quorum of members for the transaction of business. If the total number of members shall exceed one thousand (1,000), then at least three percentum (3%) of the members present in person shall constitute a quorum, for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting without further notice.

SECTION 5. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to vote at a meeting of the members. At all meetings of the members that a quorum is present, all questions shall be decided by a vote of the majority voting thereon in person, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or its bylaws. If a husband and wife hold a joint membership, they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote.

SECTION 6. Order of Business. Then the order of business at the annual meeting and so far as possible at all other meeting of the members, shall be essentially as follows

1. Call of the roll.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver(s) of the notice of the meeting, as the case may be.
3. Reading of the unapproved minutes of previous meetings and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, report of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

Call of roll, reading of notice of meeting, and reading of minutes of previous meetings may be dispensed, with upon motion and vote of approval of the members present.

ARTICLE III DIRECTORS

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

SECTION 2. Qualifications and Tenure. Board of Directors shall be divided into three (3) groups; one group consisting of three (3) members, the second group consisting of three (3) members, and the third group consisting of three (3) members. Beginning with the annual meeting in 1950, three (3) directors shall be elected by secret ballot by and from the members as directors in the first group to serve until the next annual meeting or until their successors have been elected and qualified. Three (3) directors shall be elected by secret ballot by and from the members as directors in the second group to serve until the second annual meeting or until their successors have been elected and qualified. Three (3) directors shall be elected by secret ballot by and from the members as directors in the third group to serve until the third succeeding annual meeting or until their successors have been elected or qualified. Directors are to be elected to give equable representation to the geographical area served. Annual meetings thereafter, a number of directors whose terms shall have expired shall be elected by secret ballot by and from the members to serve for a period of three (3) years or until their successors have been elected and qualified, subject to the provisions and bylaws with respect to the removal of directors. If an election of directors shall not be held on the day designated for the annual meeting or an adjournment thereof, a special meeting of the members shall be held for the election of directors within a reasonable time thereafter. Directors may be elected by a plurality vote of the members. Persons shall not be eligible to become or remain a director or officer who is not a member of the Cooperative and maintains an active service membership in the zone and area for which he is elected to serve as director, or who is in any way employed or has financial interest in a competing enterprise or business primarily engaged in the selling of electrical or plumbing appliances, fixtures and supplies to members of the Cooperative. In addition, no person, shall be eligible to become or remain a director or officer who is, or within the four (4) year period prior to the election of such director or officer was, an employee of the Cooperative. If a membership is held jointly by a husband and wife, either one but not both may be elected as director; provided, that neither one shall be eligible to become or remain a director or hold any position of trust in the Cooperative unless both shall meet the qualifications herein set forth. Nothing contained in this section shall, or shall be construed to, effect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors. Geographic areas served by the Cooperative shall be divided into three (3) areas comprised by three (3) zones each as follows:

AREA 1:

- 1) **Area 1, Zone 1** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation, west of a line beginning at the northeast corner of Section 6, Township 21 North, Range 1 West, running in a southeastern direction, a straight line to the southwest corner of Section 13, Township 20 North, Range 1 West, thence a straight line in a southeast direction to the southwest corner of Section 7, Township 19 North, Range 1 West, thence a straight line in a southwest direction to the southwest corner of Section 25, Township 19 North, Range 3 West, all in Randolph County, Arkansas.
- 2) **Area 1, Zone 2** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation north of a line beginning at the northeast corner of Section 6, Township 21 North, Range 1 West, thence running a straight line in a southeastern direction to the southwest corner of Section 13, Township 20 North, Range

1 West, thence running a straight line in a southeastern direction to the southwest corner of Section 15, Township 19 North, Range 1 East, thence due east along section line to Current River in Section 21, Township 19 North, Range 2 East, thence northeast along Current River to Ripley County, Missouri line, all in Randolph County, Arkansas.

- 3) **Area 1, Zone 3** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation south of a line beginning at the southeast corner of Section 31, Township 18 North, Range 3 East in Greene County, Arkansas, thence due north along section line to the southeast corner of Section 7, Township 18 North, Range 3 East, in Greene County, Arkansas, thence running a straight line in a northwest direction to a point on Current River on the north section line of Section 21, Township 19 North, Range 2 East, in Randolph County, Arkansas, thence due west along section line to the southwest corner of Section 15, Township 19 North, Range 1 East, thence running a straight line in a northwest direction to the southwest corner of Section 13, Township 20 North, Range 1 West, thence running a straight line in a southwest direction to the southwest corner of Section 7, Township 19 North, Range 1 West, thence in a straight line in a southwest direction to the southwest corner of Section 25, Township 19 North, Range 3 West.

AREA 2:

- 1) **Area 2, Zone 1** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation beginning at the northwest corner of Section 6, Township 21 North, Range 4 East, thence running a straight line in a southeast direction to Black River at a point on the east section line of Section 27, Township 20 North, Range 4 East, thence running along Black River in a southwestern direction to a point on the north section line of Section 35, Township 19 North, Range 2 East, thence running a straight line in a northwest direction to Current River, to a point on the north section line of Section 21, Township 19 North, Range 2 East, thence running along Current River in a northern direction to the Ripley County, Missouri line, thence east along the Ripley County, Missouri, and Clay County, Arkansas line to the point of beginning.
- 2) **Area 2, Zone 2** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation north of a line beginning at the northwest corner of Section 6, Township 21 North, Range 4 East, thence a straight line in a southeast direction to Black River, a point on the east section line of Section 27, Township 20 North, Range 4 East, thence in a northeast direction along Black River to a point on the south section line of Section 8, Township 20 North, Range 5 East, thence due east along section line to the southeast corner of Section 10, Township 20 North, Range 6 East, thence a straight line in a northeast direction to the southeast corner of Section 36, Township 21 North, Range 6 East, thence due north along section line to the Butler County, Missouri line, all in Clay County, Arkansas.
- 3) **Area 2, Zone 3** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation beginning at the southeast corner of Section 31, Township 18 North, Range 3 East, in Greene County, Arkansas, thence due north along section line to the southeast corner of Section 7, Township 18 North, Range 3 East, in Greene County, Arkansas, thence a straight line in a northwest direction to a point on Black River on the north section line of Section 35, Township 19 North, Range 2 East, thence along Black River in a northeast direction to a point on the south section line of

Section 8, Township 20 North, Range 5 East, thence due east along section line to the southeast corner of Section 10, Township 20 North, Range 6 East, thence a straight line in a southwest direction to the southwest corner of Section 22, Township 19 North, Range 5 East, thence a straight line in a southwest direction to the southeast corner of Section 31, Township 18 North, Range 3 East, in Greene County, Arkansas, the point of beginning.

AREA 3:

- 1) **Area 3, Zone 1** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation beginning at the southwest corner of Section 22, Township 19 North, Range 5 East, thence running a straight line in a northeast direction to the southeast corner of Section 10, Township 20 North, Range 6 East, thence running a straight line in a northeast direction to the northwest corner of Section 6, Township 20 North, Range 7 East, thence due east along section line to the northeast corner of Section 1, Township 20 North, Range 7 East, thence running a straight line in a southeast direction to the southeast corner of Section 16, Township 20 North, Range 8 East, thence running a straight line in a southwest direction to the southwest corner of Section 22, Township 19 North, Range 7 East, thence due west along Clay County and Greene County line to the southwest corner of Section 22, Township 19 North, Range 5 East, the point of beginning.
- 2) **Area 3, Zone 2** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation north of a line beginning at a point on the St. Francis River on the south section line of Section 13, Township 20 North, Range 9 East, thence running due west along section line to the southeast corner of Section 16, Township 20 North, Range 8 East, thence running a straight line in a northwest direction to the northeast corner of Section 1, Township 20 North, Range 7 East, thence running due west along section line to the northeast corner of Section 1, Township 21 North, Range 6 East, thence due north along section line to the Butler County, Missouri line.
- 3) **Area 3, Zone 3** shall comprise the following territory -- The area served by Clay County Electric Cooperative Corporation east of a line beginning at a point on the St. Francis River on the south section line of Section 13, Township 20 North, Range 9 East, thence running due west along section line to the southeast corner of Section 16, Township 20 North, Range 8 East, thence running a straight line in a southwest direction to the southwest corner of Section 22, Township 19 North, Range 7 East, thence running due south along Clay County and Greene County line to the southwest corner of Section 10, Township 18 North, Range 7 East, thence running due east along Clay County and Greene County line to the St. Francis River.

SECTION 3. Nominations. Twenty (20) or more members of the Cooperative who maintain an active service account in the area and zone in which a directorship is to be elected may nominate in writing the candidacy of an individual who is qualified in all aspects contained in the Articles of Incorporation and these bylaws of the Cooperative.

The nomination in writing shall be made by the valid signatures of current members of the Cooperative who maintain an active service account in the specific area and zone of which a director is to be elected.

The nomination in writing shall be made on a standard uniform petition which shall be prepared and provided by the Cooperative. The Cooperative shall furnish the standard uniform petition to any eligible member requesting same.

The petition shall not be distributed for qualified signatures more than 120 days prior to the annual meeting or such meeting at which directors are to be elected. The completed petition with the valid signatures is to be filed at the Principal office or District office of the Cooperative not less than 30 days prior to the annual meeting or such meeting at which directors are to be elected. The Secretary of the Cooperative shall cause to be mailed with the notice of the meeting a statement of the number of directors to be elected and the candidates having qualified by the procedure outlined in this section of the by laws.

Nominations by petition is the only means or method of becoming a candidate for a directorship.

SECTION 4. Vacancies. Subject to the provision of these bylaws, with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors, and the directors thus elected shall serve until the next annual meeting or until their successors shall have been elected and qualified.

SECTION 5. Compensation. The Board of Directors shall from time-to-time receive compensation for their services including a fixed sum per-diem, expenses of attendance may be allowed for attendance at meetings of the board, attendance at National, Regional or State meetings concerning matters that effect the Cooperative and in addition may receive compensation by way of insurance coverage. Except in emergencies, no director shall receive compensation for serving the Cooperative, in any other capacity, other than director, nor shall any close relative of a director receive compensation for serving the Cooperative, unless such proper authorization shall be specifically authorized by two-thirds (2/3) vote of the directors.

SECTION 6. 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 of the Cooperative, or these bylaws, as it may deem prudent for management, administration and regulation of the business and affairs of the Cooperative.

SECTION 7. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system, which, among other things, 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. All accounts of the Cooperative shall be examined by a committee of the Board of Directors that shall render reports to the Board of Directors at least four (4) times a year at regular meetings. The Board of Directors shall also employ an independent accounting firm who shall conduct a full and complete audit of the accounts, books, and financial condition of the Cooperative. Such audit shall be conducted on an annual basis and shall cover a continuous twelve (12) month cycle which may not necessarily be the Cooperative's fiscal year, but shall in all aspects render an impartial perspective of the Cooperative's financial condition.

SECTION 8. Changes in Rates. Written notice shall be given to the Administrator of the Rural Utilities Services of the United States of America and to National Rural Utility Cooperative Finance Corporation (NRUCFC), not less than ninety (90) days prior to the date on which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

SECTION 9. Committees. The Board of Directors may establish and appoint such committees from its membership as it may deem expedient to assist the board and/or the manager of the Cooperative in formulating policies and in prosecuting the business of the Cooperative.

ARTICLE IV MEETINGS OF DIRECTORS

SECTION 1. Regular Meetings. Regular meetings of the Board of Directors shall be held without notice (other than that of these bylaws) immediately after, and at the same place as the annual meetings, and also 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 shall be called by the president or any three (3) directors. The person(s) authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting.

SECTION 3. Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed to each director at one's last known address. Written notice may also include electronic transmission of the same information to the Director's current electronic address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

SECTION 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

SECTION 5. Manner of Acting. The act of the majority of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V 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. 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 by ballot annually, by and from the Board of Directors, at the first meeting held after each annual meeting. 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 or until one's successor shall have been duly elected and qualified, subject to the provisions of these bylaws, with respect to the removal of officers.

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

SECTION 4. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. President. The president

- a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors;
- b) shall sign, with the secretary, 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, shall perform all duties incident to the office of president and such other duties as from time to time may be assigned to one by the Board of Directors.

SECTION 6. Vice President. In the absence of the president, or in the event of one'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 and shall perform such other duties as may be assigned to one by the Board of Directors.

SECTION 7. Secretary. The secretary shall

- a) keep the minutes of meetings as of the members and the Board of Directors in one or more 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 see that the Seal of the Cooperative is affixed to all documents, the execution of which on behalf of the Cooperative under its Seal is duly authorized in accordance with the provisions of these bylaws;
- d) keep a register of the post office address of each member;
- e) have general charge of the books of the Cooperative in which a record of the membership is kept;
- f) keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which a copy shall always be open to the inspection of any member, and, at the expense of the Cooperative, forward a copy of the bylaws and of all amendments therefore to each member; and
- g) in general, perform all duties incident to the office of secretary and such other duties as may be assigned to one by the Board of Directors.

SECTION 8. Treasurer. The treasurer shall

- a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- b) receive and give receipt for money due and payable to the Cooperative from any source whatsoever, and deposit all such money in the name of the Cooperative in such bank(s) 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 to one by the Board of Directors.

SECTION 9. Manager. The Board of Directors may appoint a manager who may be, but who shall not be required to be a member of the Cooperative. The manager shall perform such duties as the Board of Directors may require of one and shall have such authority as the Board of Directors may invest in one.

SECTION 10. Bonds of Officers. The Board of Directors shall require the treasurer or any officer of the Cooperative charged with responsibility for the custody of any of its funds or property, 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 11. Compensation. The compensation, if any, of any officer, agent or employee who is also a director or close relative of a director, shall be determined by the members, as provided elsewhere in these bylaws, and the powers, duties and compensation of any other officers, agents and employees shall be fixed by the Board of Directors.

SECTION 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the members, reports covering the business of the Cooperative at the close of such fiscal year.

ARTICLE VI CONTRACTS, CHECKS AND DEPOSITS

SECTION 1. Contracts. Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer(s), agent(s) to enter into any contract or execute and deliver any instrument in the name of 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 evidence of indebtedness issued in the name of the Cooperative shall be signed by such officer(s), agent(s), employee(s) of the Cooperative 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(s) as the Board of Directors may select.

SECTION 4. Investments. The Board of Directors may at its discretion invest its reserve (excess) funds in U. S. Government bonds, or any government securities backed by the Federal government, commercial paper, certificate of deposits (CDs) or securities in banks and savings and loan associations insured by the Federal Deposit Insurance Corporation (FDIC) or any financial institution as approved by the Board 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 conducted that all patrons will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure the Cooperative operates on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons, for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating cost 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 account of each patron. The Cooperative shall within a reasonable time, after the close of the fiscal year, notify by publication, the amount of margins to be allocated and the factor which is applied to the patronage for the year of each patron. Each

patron may obtain one's individual allocation for each account(s) from the Cooperative in writing or in person at Office of the Cooperative. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of cost and expenses, shall, insofar as permitted by law, be

- a) used to offset any losses incurred during the current year or any prior fiscal year, and
- b) to the extent needed for that purpose, allocated to its patrons on a patronage basis and any amounts so allocated shall be included as a part of the capital credited to the accounts of patrons, as herein provided.

In event of the 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 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 order of priority according to the year in which the capital was furnished and credited, the capital first received by the Cooperative being first retired.

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

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 one's estate shall request in writing that the capital credited to any such patron 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 financial conditions 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 posting in a conspicuous place in the Cooperative's offices.

SECTION 3. Patronage Refunds in Connection with Furnishing Other Services. In the event the Cooperative should engage in the business of furnishing goods or services other than electric, all amounts received and receivable therefrom which are in excess of cost and expenses properly chargeable against the furnishing of such goods or services, shall, insofar as permitted by law, be pro-rated annually on a patronage basis and returned to those patrons from who such amounts were obtained.

SECTION 4. First Lien and Right of Set-Off for Capital Credited in Connection with Furnishing Electric Energy or with Furnishing Other Services. The Cooperative shall at all times have a first lien on, and right of set-off against, such capital credited to any patron pursuant to Sections 2 and 3 of this Article VII for all indebtedness to the Cooperative, whether due or to become due, of such patron as shown by the books or records of the Cooperative, which lien or right shall not be lost or prejudiced by reason of the fact that the certificate representing such capital credited, if any, is not in the possession of the Cooperative.

ARTICLE VIII WAIVER OF NOTICE

Any member or director(s) may waive, in writing, any notice of meetings required to be given by these bylaws.

ARTICLE IX DISPOSITION OF PROPERTY

The Cooperative may not sell, mortgage, lease, or otherwise dispose of, or encumber any of its property other than

- a) property which, in the judgment of the Board of Directors neither is nor will be necessary or useful in operating and maintaining the Cooperative's system and facilities; provided, however that all sales of such property shall not in any one (1) year exceed in value ten percentum (10%) of the value of all the property of the Cooperative;
- b) services of all kinds, including electric energy; and
- c) personal property acquired for resale, unless such sale, mortgage, lease, or other disposition or encumbrance is authorized at a meeting of the members by the affirmative vote of at least two-thirds (2/3) of the members voting thereon in person and 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 contained herein, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, or any agency or instrumentality thereof, and the National Rural Utilities Cooperative Finance Corporation (NRUCFC) and other lending agencies or lending corporations and to incur indebtedness from time to time by the assumption of indebtedness or third parties to the United States of America, to the National Rural Utilities Cooperative Finance Corporation (NRUCFC) or other lending agencies or lending corporations, such loans and such assumptions of indebtedness to be in such amounts and upon such terms as the Board of Directors shall deem advisable to finance the construction, acquisition and operation of such electric generating, transmission, distribution and service facilities as the Board of Directors shall from time to time determine upon; and in connection with such borrowing to authorize the making and issuance of bonds, notes, or other evidence of indebtedness and to secure the payment thereof, to authorize the execution and delivery of a mortgage(s), or deed(s) of trust upon, or the pledging or encumbrancing 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.

ARTICLE X FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first (1st) day of January of each year and end on the thirty-first (31st) day of December of the same year.

ARTICLE XI MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative shall not become a member of any other organization without an affirmative vote of the members at a meeting called as provided by these bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business, except, however, that the Cooperative may, by proper resolution of its Board of Directors become a member of the National Association or State Association of Electric Cooperatives, or Generation and Transmission Cooperatives having authority to supply wholesale power to the Cooperative, and of civic organizations organized and existing within the territory served by the Cooperative or contiguous thereto.

ARTICLE XII 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, Arkansas".

ARTICLE XIII AMENDMENTS

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

STATEMENT OF NONDISCRIMINATION

Clay County Electric Cooperative Corporation is the recipient of Federal financial assistance from The U. S. Department of Agriculture, and are subject to the Provisions of Title VI of the Civil Rights Act of 1964, As amended, Section 504 of the Rehabilitation Act Of 1973, as amended, the Age Discrimination Act Of 1975, as amended, and the rules and regulations of the U. S. Department of Agriculture which provide that no person in the United States on the basis of race, color, national origin, sex, religion, age or disability shall be excluded from participation in admission or access to, denied the benefits of; or otherwise be subjected to discrimination under any of this organization's programs of activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is the General Manager of Clay County Electric Cooperative Corporation. Any

individual, or specific class of individuals, who feels that this organization have subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with the organization; or the Administrator, Rural Utilities Service, Stop 1510, 1400 Independence Avenue, SW, Washington, DC, 20250-1510, or the Director Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, S.W, Washington, DC, 20250-9410; or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.