

**BYLAWS OF
MONROE COUNTY ELECTRIC
POWER ASSOCIATION**

ARTICLE 1

Membership

Section 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member of Monroe County Electric Power Association (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 regulation adopted by the Board of Directors, and
- (d) Paying the membership fee hereinafter specified, provided, however, that no person, firm, association, corporation or body politic or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the Board of Directors.

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 shall be issued for less than the membership fee fixed in these bylaws, nor until such membership fee has been fully paid for. In case a certificate is lost, destroyed or mutilated a new certificate may be issued therefore upon such uniform terms and indemnity to the cooperative as the Board of Directors may prescribe.

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 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 action by or in respect to the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall be regarded as the presence of one member and shall constitute a joint waiver;
- (b) The vote of either separately or both jointly constitute a 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 qualification 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 shall be held solely by the survivor. The outstanding membership certificate shall be surrendered, and shall be reissued in such manner as shall indicate the changed membership status, provided, however, that the estate of the deceased shall not be released from any debts due to Cooperative.

Section 5. Membership and Service Connection Fee. The membership is \$50.00. There is a set fee for each meter set, the amount of which shall be determined by the Board of Directors. Only the \$50.00 is refunded when service is discontinued, provided all bills are due the Cooperative are paid.

Section 6. Purchase of Electric Energy. Each member as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and 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 in excess of the cost of service are furnished by members as capital and each members shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

Section 7. Termination of Membership. (a.) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors of the Cooperative may, by the affirmative vote of not less than two-thirds of all the directors, expel any member who fails to comply with any of the provisions or 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 or the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten days after such notice was given. Any expelled member may be reinstated by vote of the 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 to him, has not purchased electric energy form the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, shall be cancelled 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, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member of his estate from any debts due the Cooperative.

(c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the initial membership fee paid by him, which amount shall be either \$10.00, \$30.00 or \$50.00 depending on the amount paid by him, 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.

Section 8. Change in Premises to be Served. Any member who moves form one location to another shall be entitled to receive service at his new location if, (a) the member notifies the Cooperative of his change in location, describing the new premises and the type and approximate amount of service desired therefore, (b) the new location is within the area of service of the Cooperative, as determined by the Board of directors, and (c) such member pays a reasonable connection charge, the amount of which shall be determined by the Board of Directors.

Section 9. Security Deposit. When the membership fee does not in the judgment of the Manager constitute sufficient security for the payment of bill for electric energy, the Manager may require each customer to post a deposit with the Cooperative in an amount deemed sufficient to secure such payment.

Section 10. Easements for Cooperative Lines. Members shall, without charge to the Cooperative, grant to it easements over land owned by them for the transmission and distribution lines of the Cooperative, and the Board of Directors may require from applicants for membership the return of any payments previously made to such applicants for easements.

ARTICLE II

RIGHTS AND LIABILITIES OF MEMBERS

Section 1. Property Interest of Members. Upon dissolution, after all debts and liabilities of the Cooperative shall have been paid, and 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 members during the seven years next preceding the date of the filing of the certificate of dissolution.

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

MEETING OF MEMBERS

Section 1. Annual Meeting. The annual meeting of the members shall be held on the First Tuesday of August of each year beginning with the year 1962, at such place in the Counties of Itawamba, Monroe and Lowndes, State of Mississippi, 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 come before the meeting. If the day fixed for the annual meeting shall fall on a legal holiday, such meeting shall be held on the next succeeding business day. Failure to hold the annual meeting of the Cooperative shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings. Special meetings of the members may be called by resolution of the Board of Directors, or upon written request signed by any five directors, by the President or by ten per centum (10 per cent) or more, of all the members, and it shall thereupon be the duty, of 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 of the members may be held at any place in the county of Monroe, State of Mississippi specified in the Notice of the Special Meeting.

Section 3. Notice of Member Meetings. Written or printed notice stating the date, place 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, or more than thirty (30) days, before the date of the meeting either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. If a notice is mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which is to be taken by the members at such meeting. Two per centum of the total number of members present in person, by mail or by proxy, which ever shall be larger shall constitute a quorum. If less than a quorum is

present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The minutes of each meeting shall contain a list of the members present in person.

Section 4. Voting. Each member shall be entitled to only one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person, by proxy or by mail, except as otherwise provided by law, the Articles of Incorporation or these bylaws. Each member entitled to vote, may vote by his duly designated proxy, or he may vote on any matter voted on by the members by U. S. Mail.

At a meeting of the members, a member may vote by proxy executed in writing by the member, subject to the provisions hereinafter set forth; provided, however, any member holding and intending to vote a proxy must file the executed proxy at the Association's headquarters, not less than five days prior to the meeting. The proxy must have entered hereon the account number of the member executing the proxy. If one person shall receive electric service through two or more meters at different premises, he shall nevertheless, be entitled to only one vote at any meeting of the members, in accordance with the Articles of Incorporation of the Association. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. No member shall vote as proxy for more than 250 members at any meeting of the members. The presence of a member at a meeting of the members shall revoke a proxy theretofore executed by that member, and such member shall be entitled to vote at such meeting in the same manner and with the same effect as if the proxy had not been executed. A standard proxy form shall be used which identifies the member by name and account number, in order to assure authenticity and facilitate the tabulation of votes. If the proxy form of a member is lost, stolen or destroyed, the Association shall furnish the member with a replacement proxy form upon request, provided that the member executes a revocation of the lost, stolen or destroyed form, to be witnessed by an employee of the Association. Blank proxy forms will not be distributed in bulk to any member or other person. Only the proxy form issued by the Association shall be valid.

Section 5. Order of Business. The order of business at the annual meeting of the members and, so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by 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 of mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of the unapproved Minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE IV

DIRECTORS

Section 1. General Powers. The Business and affairs of the Cooperative shall be managed by a Board of Directors to consist of nine (9) members, which said Board of Directors shall exercise all of the powers of the Cooperative, except such as are by law or

by the Certificate of Incorporation of the Cooperative, or by those bylaws conferred upon or reserved to the members.

Section 2. Qualification and Tenure. The present Nine (9) members that compose the Board of Directors shall constitute the Board of Directors until their successors are elected and qualified, and herein provided. At each annual meeting, beginning with the annual meeting in August, 1962, Directors shall be elected by ballot, by and from the members to serve until the next succeeding annual meeting of the members, or until their successors shall have been duly elected and shall have qualified, subject to the provisions of the bylaws with respect to the removal of directors. In order to become a member of the Board of Directors of the Cooperative, a person:

1. Must be an individual with the capacity to enter into legally binding contracts;
2. Must be a bona fide resident in the areas served by the Cooperative and of the area or district from which he or she is elected in the case of a director;
3. Must not be employed by or in any way financially interested in a competing enterprise, specifically including other electrical suppliers, or a business selling electric energy supplies or services to the Cooperative;
4. Must not have been an employee of the Cooperative within ten (10) years prior to the beginning of the term;
5. Must not hold or be an official candidate for, an elected public office in connection with which a salary is paid;
6. Must not have been convicted or have pled guilty to a felony; and
7. Must comply with any other reasonable qualifications determined by the board.

In the event a membership is held jointly by husband and wife, either one, but not both, may be elected a director; PROVIDED that neither one shall be eligible to become or remain a director unless both shall meet the qualifications hereinabove set forth.

Upon determination that a board member is holding the office of director in violation of any of the foregoing provisions, the board shall remove such director from office provided, however, nothing contained in this section shall in any manner whatsoever affect the validity of any action taken at any meeting of the Board.

Section 3. Directors' Districts. The territory served or to be served by the Cooperative shall be and is hereby divided into Five (5) districts. Districts One (1) through Four (4) shall be represented by two (2) Directors each and District Five (5) shall be represented by One (1) Director.

The Five (5) districts shall be and are fixed as follows:

District Number 1. The territory served or to be served in Itawamba County, Mississippi. Also all of that part of Monroe County lying North of a line running East and West as Follows:

Beginning at the Northeast corner of Section 33, Township 12, Range 16 West, and running thence in a Westerly Direction along the North boundary of the Section lines to the Old Gains Trace, thence North to the Township line between Township 12 and Township 13 and running thence Westerly along the said Township line between Township 12 and Township 13 to the West boundary of Monroe County.

District Number 2. The territory served or to be served lying between the following described lines:

Beginning at the Northeast corner of Section 33, Township 12, Range 16 West, and running thence in a Westerly Direction along the North line of the various Section parallel to the Township line between Township 12 and 13 to the Old Gains Trace, thence Northeasterly to the Township line between Township 12 and 13 and thence Westerly along the said Township line to West boundary of Monroe County, and being all of that land South of the aforesaid line and North of the line described as follows: Said line beginning at the Southeast corner of Section 5, Township 15, Range 16 West and running thence in a

Westerly direction along the South boundary line of the various sections to the Tombigbee River, being 1 mile South of the Township line between Township 14 and 15. Thence from the said Tombigbee River Westerly beginning at the Southeast Corner of Section 7, Township 15, Range 8, and thence Westerly along the South boundary line of the various Sections to the West boundary of Monroe County.

District Number 3. The territory served or to be served in Monroe County lying South of a line Beginning at the Southeast corner of Section 5, Township 15, Range 16 West, and running thence Westerly along the various Section lines to the Tombigbee River which line is 1 mile South of Township line Between Townships 14 and 15 running to the Tombigbee River and thence Westerly running in a line beginning at a point at the southeast corner of section 7, Township 15, Range 8 East, and thence running West along the various Section lines to the West boundary of Monroe County, Mississippi, which is one mille South of Township line between Township 14 and 15.

District Number 4. The territory served or to be served within the boundaries of Lowndes County, Mississippi.

District Number 5. That there shall be elected a Director at large who shall be elected by the Membership at the time that the other directors are elected, provided however, that for the first director the Board of Directors shall fill the office by electing someone at large from the territory in the entire district. Such director need not be a member and can also be an officer of the cooperative and is to be elected from the area served by the Cooperative as a whole.

Section 4. Nominations. It shall be the duty of the Board of Directors to appoint, not less than thirty (30) days nor more than sixty (60) days before the date of the meeting of the members at which directors are to be elected, a committee on nominations, consisting of Eight (8) members, with Two (2) each coming from District 1, 2, 3 and 4, as created by Section 3 of Article IV of these bylaws. The members selected and appointed on said nominating committee shall be selected so as to give equitable representation to the geographical areas served by said Cooperative within said district. No officer or member of the Board of Directors shall be appointed a member of such Nominating Committee. The Nomination Committee shall prepare and post at the principal office of the Cooperative at Amory, Mississippi at least twenty (20) days before the meeting which directors are to be elected a list of its nominations of directors, which said list and nominations shall be made so as to nominate two (2) candidates from each of the Directors' Districts of the Cooperative, with the exception of District 5, from which nominations shall be made so as to nominate one (1) candidate form District Number 5 of the Cooperative, but any fifty (50) or more, members from either of the five (5) districts may make other nominations from their respective districts in writing over their signatures at the same time the Nomination Committee shall meet and the Secretary shall post the same at the place where the list of nominations made by the Nominating Committee is posted. The Secretary shall mail with the notice of the meting statement of the number of directors to be elected and a list showing separately the nominations made by the committee on nominations and the nominations made by petitions, if any nominations are to be made in no other manner or form except as herein authorized and within the time herein prescribed. The members may, at any meeting at which a director or directors shall be removed, as provided by these bylaws, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

Section 5. Removal of Director by Member. Any member may bring charges against a director by filing with the Secretary such charges in writing together with a petition signed by a least ten per centum (10 per cent) of the members, may request the removal of such

director by reason therefore such director shall be informed in writing the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such director shall be considered and voted upon at the meeting of the members and any vacancy created by any and such removal may be filled by vote of the member such meeting without compliance with the foregoing provision with respect to nominations.

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

Section 7. Compensation. Directors shall not receive any salary for their services as directors, except that by resolution of the Board of Directors the Expenses of attendance may be allowed for attendance at each meeting by the Board of Directors and other expenses incurred in transacting the Cooperative's business Except in emergencies, no director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative. This provision shall not apply, however, to close relatives of a director who were employees at the time such director was elected.

ARTICLE V

MEETING OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice, immediately after and at the same place as, the annual meeting. The board of Directors may from time to time meet, upon call of the President or other officer.

Section 2. Special Meetings. Special meetings of the Board or Directors may be called by the President or by any three (3) directors, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the directors calling the meeting shall fix the time and place which shall be in Amory, Monroe County, Mississippi, for the holding of the meeting.

Section 3. Notice of Directors' Meeting. Written notice of the time, place and purpose of any special meeting of the Board of Directors shall be delivered to each of the directors not less than three (3) days previous thereto, either personally or by mail, 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 at his address as it appears on the record of the Cooperative, with postage thereon placed.

Section 4. Quorum. A majority of the Board of directors shall constitute a quorum, provided, that is less than such a 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 director 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; and provide that the Board of Directors may elect the same person as Secretary-Treasurer.

Section 2. Election and Term of Office. The officers shall be elected by ballot annually by the Board of directors at the meeting of the Board of Directors held immediately after the annual meeting of the members. All officers, except Secretary and Treasure shall be elected from the Board. 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 term.

Section 3. Removal of Officers and Agent 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. In addition, any member of the cooperative may bring charges against an officer, and by filling with the Secretary such charges in writing together with a petition signed by ten per centum (10 per cent) of the members, may request the removal of such officer. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the board meeting at which the charges are to be heard in person or by counsel and to present evidence in respect of the charges; and the person or persons bringing the charges against him shall have the same opportunity. In the event the board does not remove such officer, the question of his removal shall be considered and voted upon at the next meeting of the members.

Section 4. President. The President shall:

(a) be the principal executive officer of the Cooperative and, unless other wise determined by the members or the Board of Directors, shall preside at all meetings of the members and 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 other wise signed or executed; and

(c) in general perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5. Vice President. In the absence of the President, or in the event of his inability or refusal to act, The Vice-President shall perform the duties of the President, and when so action, 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 be assigned to him by the Board of Directors.

Section 6. Secretary. The Secretary shall:

(a) keep the minutes of the meeting of the members and of 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 affix the seal of the Cooperative to all certificates of membership prior to the issue thereof and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of the bylaws;

- (d) keep a register of the names and post office addresses of all members;
- (e) sign, with the President, certificates of membership;
- (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 (which copy shall always be open to the inspection of any member);
- (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by 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 moneys due and payable to the Cooperative and for the deposit of all such moneys 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 duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

Section 8. 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 and shall exercise such authority as the Board of Directors may from time to time vest in him.

Section 9. Board of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall 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.

Section 11. Reports. The officers of the Cooperative shall submit, at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the conditions of the Cooperative at the close of such fiscal year.

ARTICLE VII

NON-PROFIT OPERATIONS

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 shall operate 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 the electric energy in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating cost and expenses. The books and records of the Cooperative shall be set up

and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they 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.

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 patron's 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 the Cooperative being first retired. In no event, however, may any such capital be retired unless, after the proposed retirement, the capital of the Cooperative shall equal at least forty per centum (40 per cent) of the total assets of the Cooperative.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by the cooperative unless the Board of Directors, acting under policies of general application, 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 representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of the these bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, action 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 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 provision. 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 office.

Section 3. Patronage Refunds in Connection with Furnishing Other Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable there from which are in excess of costs 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 whom such amounts were obtained.

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 a majority of the members, and the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been continued in the notice of the meeting. Nothing herein contained, however, shall prevent the Board of Directors from mortgaging, selling, leasing or otherwise disposing of property, which in the judgment of the Board of Directors, neither is now or will be necessary or useable in operating and maintaining the Cooperative's system and facilities; Provided, however, that all sales, leases or disposition of such property shall not in any one year exceed in value ten per centum (10 per cent) of the value of all the property of the Cooperative, Notwithstanding anything herein contained, the Board of Directors of the Cooperative, without the authorization of the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or trust upon, or the pledging or encumbering of, and 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 incomes there from, 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.

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 its domicile.

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 such 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 evidence 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 a 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. Change in Rates. Written notice shall be given to the administrator of the Rural Electrification Administration of the United States of America not less than thirty 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 day of July of each year and shall end on the thirtieth day of June of the following year.

ARTICLE XI

MISCELLANEOUS

Section 1. 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 objection to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 2. Rules and Regulation. The Board of directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the articles of incorporation of these bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

Section 3. Accounting Systems and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the administrator of the Rural Electrification Administration 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 conditions of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the next following annual meeting.

ARTICLE XII

AMENDMENTS

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