

STATE OF ALABAMA)
)
MARSHALL COUNTY)

**By Laws
of
ARAB ELECTRIC COOPERATIVE, INC.**

ARTICLE I

MEMBERSHIP

SECTION 1 REQUIREMENTS FOR MEMBERSHIP. By seeking to and taking electric services from Arab Electric Cooperative, Inc., services, the person or entity becomes a member of AEC and agrees to the terms and conditions of membership contained in these bylaws and in the membership policies if AEC, which may be changed by Board or member action, as posted.

SECTION 2 JOINT MEMBERSHIP. A Spouse 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 Spouse holding a joint membership and any provision relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generalities 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 member and shall constitute a joint waiver of notice of meeting;
- b) The vote of either separately or both jointly shall constitute one joint vote;
- c) A waiver of notice signed by either or both shall constitute one 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 board member, provided that both meet the qualifications for such office.

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 in incorporation, bylaws and rules and regulations adopted by the board. The outstanding membership certificate shall be surrendered, and shall be reissued by the Cooperative in such manner as shall indicated the changed membership status.

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

SECTION 3 MEMBERSHIP FEE. The membership fee shall be \$5.00. Each membership shall be electronically on file at Arab Electric Cooperative.

SECTION 4 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 referred to in the application of such member for membership, and shall pay at such rates as shall be appropriately fixed by the Board of Trustees, and that each member shall pay to the Cooperative such minimum amount per billing period as shall be fixed by the board of trustees from time to time for each class of service, regardless of the amount of electric energy consumed, and provided, further, that in the event any applicant for membership desiring to purchase electric energy for other than residential use shall have, previous to his or its application, customarily generated electricity for his or its own purposes, such applicant may be admitted into membership of the Cooperative and upon such terms and conditions as the board of trustees in its discretion may prescribe.

Each member shall also pay all obligations, which may from time to time become due and payable by such member to the Cooperative as when the same shall become due and payable.

Member can participate in any available programs currently approved by the board of directors.

SECTION 5 NON-LIABILITY FOR DEBTS OF THE COOPERATIVE. The private property of the members of the Cooperative shall be exempt from execution for the debts of the Cooperative and no member shall be individually liable or responsible for any debts or liabilities of the Cooperative.

SECTION 6 EXPULSION OF MEMBERS. The board of trustees of the Cooperative may, by the affirmative vote of not less than two-thirds of the members thereof, expel any member who shall have violated or refused to comply with any of the provisions of the Alabama Electric Cooperative Act of 1939, or of the articles of conversion of the Cooperative of these By-Laws or any rules or regulations adopted from time to time by the board of trustees. Any member so

expelled may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

SECTION 7 TRANSFER, TERMINATION, AND WITHDRAWAL OF MEMBERSHIPS.

- a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe.
- 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 or his estate from any debts due to the Cooperative.
- c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of membership fee paid by him or her, provided, however, that the Cooperative shall deduct from the amount of membership fee the amount of any debts or obligations owed by the member to the Cooperative.
- d) A member may transfer a membership to himself or herself and his or her spouse, as the case may be jointly upon the written request of such member and compliance by such Spouse jointly with the provisions with respect to membership set forth in Section 1 of this Article. When a membership is held jointly by a husband or wife, upon the 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 or her as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Cooperative the certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

SECTION 8 CHANGE IN PREMISES TO BE SERVED. Any member who moves from 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 locations is within the area of service of the Cooperative as determined by the board of trustees, and (c) such member pays a reasonable connection charge, an amount which shall be determined by the board.

SECTION 9 AREA COVERAGE. The board shall make a diligent effort to see that electric service is extended to all unserved persons within the cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition for such service.

SECTION 10 REMOVAL FROM SERVICE AREA OF COOPERATIVE.

- (a) When in the judgment of the board of trustees the financial condition of the Cooperative justifies it, the board may authorize the refund of membership fees to members who have disposed of premises served by the Cooperative or removed from its service area.
- (b) In case the Cooperative disposes of facilities which are necessary for the service of any members, such members shall be notified of such disposition at least two (2) months in advance and shall be entitled to have their respective membership fees refunded by the Cooperative.

SECTION 11 SECURITY DEPOSITS. When the membership fee (or such meter deposit as may be required with respect to service to non-members) does not in the judgment of the board of trustees constitute sufficient security for the payment of bills for electric energy, the board of trustees may require such consumer to post a deposit with the Cooperative in an amount deemed sufficient to secure such payment.

SECTION 12 WIRING. Service to any person may in the discretion of the board of trustees be conditions upon such person furnishing to the Cooperative the certificate of a reputable inspector stating that the wiring of the premises served or to be served complies with all local regulations and is in accordance with the latest rules and regulations of the National Electrical Code of the National Board of Fire Underwriters for installing of electric wire, apparatus, and appliances, and is in accordance with the wiring specifications prescribed by Rural Utilities Services. The requirement or waiver of such a certificate, however, or the supplying of service on the basis thereof, shall not subject the Cooperative to liability to any member or other person for any damages or injuries sustained by reason of defects existing in the wiring of such premises.

SECTION 13 EASEMENTS FOR COOPERATIVE'S 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 board of trustees may require from applicants for membership the return of any payments previously made to such applicants for easements.

SECTION 14 REMOVAL OF TRUSTEES AND OFFICERS. Any member may bring charges against an officer or trustee by filing them in writing with the Secretary, together with a petition signed by ten per centum (10 percent) of the members, requesting the removal of the officer or trustee in question. The removal shall be voted upon at the next regular meeting or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The trustee or officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him or her shall have the same opportunity.

ARTICLE II

MEETINGS OF MEMBERS

SECTION 1 ANNUAL MEETING. The annual meeting of the members shall be held on the fourth Saturday in August of each year at 9:00 o'clock a.m., beginning with the year 1967, at such place in Arab, in the county of Marshall, State of Alabama, as shall be designated in the notice of the meeting for the purpose of electing trustees, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. If the election of trustees shall not be held on the day designated herein for the annual meeting, or at any adjournment thereof, the board of trustees shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture of dissolution of the Cooperative.

SECTION 2 SPECIAL MEETINGS. Special meetings of the members may be called by the board of trustees, by any three (3) trustees, by the President, or upon a written request signed by at least ten per centum (10 percent) 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 may be held at any place within the Counties of Marshall, Morgan or Cullman in the State of Alabama which may be specified in the notice of the special meeting.

SECTION 3 NOTICE OF MEMBERS' MEETINGS. Written or printed notice stating the place, day and hour of the meeting and, in case of special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than five (5) days nor more than twenty-five (25) days before the date of the meeting, either personally or by mail or email, by or at the direction of the Secretary, or by the person calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members. 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), at least ten per centum (10 percent) of the total number of members present in person shall constitute a quorum for the transaction of business at all meetings of the members. In case the total number of numbers of members shall exceed five hundred (500), then at least fifty members or three per centum (3 per cent) of the members, whichever shall be the larger, shall constitute a quorum for the transaction of business at all meetings of the members. In case of a joint membership, the presence at the meeting of either husband or wife, or both, shall be regarded as the presence of one member. 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, provided that the Secretary shall send notice by mail to any absent members of the time and place of such

adjourned meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, address to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid.

SECTION 5 VOTING. Each member shall be entitled to have one (1) vote and no more upon each matter submitted to a vote at a meeting of the members

At all meetings of the members at which a quorum is present all questions other than the election of trustees 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 the Cooperative, or these bylaws. Trustees, however, shall be elected by plurality vote rather than majority vote.

If a Spouse hold a joint membership, they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

SECTION 6 MAIL VOTING. Any member who is absent from any annual or special meeting of the members may vote by mail upon any motion or resolution acted upon at any such meeting in connection with the borrowing of funds from united States of America or any agency or instrumentality thereof, or from any other source, the sale, mortgage, lease or other disposition or encumbrance of property to United States of America or any agency or instrumentality thereof.

The secretary shall enclosed with the notice of such meeting an exact copy of such motion or resolution to be acted upon and such absent member shall express his vote thereon by writing “yes” or “no” on each such motion or resolution in the space provided therefor and enclose each such copy so marked in a sealed envelope bearing his name and address to the secretary. When such written vote so enclosed is received by mail from any absent members it shall be accepted and counted as a vote of such absent member at such meeting. Said vote must be received by the secretary before the date of the meeting is designated in the said notice.

If a Spouse hold a joint membership and are absent from any annual or special meeting of the members they shall jointly be entitled to vote by mail as provided in this section. The failure of any such absent member to receive a copy of any such motion tor resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting.

SECTION 7 ORDER OF BUSINESS. The order of business at the annual meeting of the members, and so far as possible at all meetings of the members, shall be essentially as follows:

1. Call of the roll or registration of members.
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 or previous meetings of the members and the taking of necessary action thereon.
4. Election of Trustees.
5. Presentation and consideration of, and acting upon, reports of officers, trustees and committees.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE III

TRUSTEES

SECTION 1 GENERAL POWERS. The business and affairs of the Cooperative shall be managed by a board of nine (9) trustees which shall exercise all of the powers of the Cooperative except such as are by law or by articles of incorporation of the Cooperative or by these bylaws conferred upon or reserved to the members. The territories served or to be served by the Cooperative shall be divided into nine (9) districts, the boundaries of which shall be so fixed that each district shall contain approximately and the same number of members. Each district shall be represented by one trustee, who must reside in and be a member receiving service from the Cooperative within the district which he or she represents.

The original nine districts shall be as follows:

District No. 1 City of Arab (Route 10,11,12,15,16,17,28)

District No. 2 City of Arab (Route 6,7,39,40,42)

District No. 3 City of Arab (Route 2, 4, 8, 13, 14, 18, 20)

District No. 4 Joppa, Hulaco, & Ryan Communities (Route 29, 31, 32, 34, 35)

District No. 5 Fry Gap & New Cannan Communities (East 231) (Route 36, 37, 38, 44, 46, 48, 50)

District No. 6 Union Grove & Oleander Communities (Route 64, 66, 68, 78, 80, 82)

District No. 7 Ruth & Eddy Communities (To Scant City) (Route 22, 24, 26, 70, 72, 74, 76)

District No. 8 Somerville & Union Hill Communities (Morgan County) (Route 84, 86, 88, 90, 92, 94, 96, 98)

District No. 9 Georgia Mountain & Warrenton (East of Scant City) (Route 52, 54, 56, 58, 60, 62)

The board of trustees at any regular or special meeting thereof held not less than thirty days prior to any annual meeting of the members held in lieu of such annual meeting may by resolution alter the geographical boundaries of the nine districts with the aim of arranging more equitable districting. The boundaries of such districts shall be so fixed that each district shall contain approximately the same number of members. A violation of such districting provision shall not, however, affect the validity of any corporate action.

SECTION 2 QUALIFICATIONS & TENURE. At the annual meeting of the members of the Cooperative, 1969, the trustees shall be elected by ballot for staggered four-year terms by and from the members of the Cooperative. Trustees shall be limited to three (3) consecutive terms. Trustees who have served three consecutive terms are not eligible to run for the position of trustee until they he or she has been off the board for a full term. No member shall be eligible to run for the position of trustee after reaching the age of eighty years old.

No member shall be eligible to become or remain a trustee or to hold any position of trust in the Cooperative who is not a bona fide resident in the area served by the Cooperative, or who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative. When a membership is held jointly by a Spouse, either one, but not both, may be elected a trustee, provided, however, that neither one shall be eligible to become or remain a trustee or to hold a position of trust in the cooperative unless both shall meet the qualifications hereinabove set forth. Nothing this section contained shall, or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the board of trustees.

SECTION 3 NOMINATIONS. It shall be the duty of the board of trustees to advertise in the local newspaper not less than sixty (60) days nor more than one hundred twenty (120) days before the date of a meeting of the members at which trustees are to be elected, for each district where the Trustee's term is expiring and is thus open for election, allowing any bona fide member, who is not presently serving as a trustee, desiring to run for nomination of Trustee to obtain fifteen (15) or more members' signature nominating that person to be placed before the membership for consideration as a member of the Board of Trustees. Incumbent trustees who desire to run for re-election shall not be required to obtain the signatures of fifteen (15) members. This shall be presented to the Cooperative not less than sixty (60) days prior to the meeting and the Secretary shall post the same at the headquarters building. The Secretary shall mail with the notice of the meeting a statement of the number of trustees to be elected and showing separately the nominations by petition. The members may, at any meeting at which a trustee or trustees shall be removed, as hereinbefore 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 any manner whatsoever the validity of any election of trustees.

SECTION 4 VACANCIES. Subject to the provisions of these bylaws with respect to the removal of trustees, vacancies occurring in the board of trustees shall be filled by a majority vote of the remaining trustees and trustees thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified, provided that the member so selected to fill the vacancy shall reside in the same district as the one from which the trustee he succeeds was elected.

SECTION 5 COMPENSATION. Board members shall not receive any salary for their services as such, except that members of the Board may by resolution authorize a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the board. If authorized by the board, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance by the board in lieu of detailed accounting for some of these expenses. No board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a board member receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the board member or his or her close relative shall have been certified by the board as an emergency measure. Current board members may participate in the Cooperative's group health care plan if the board member pays the full premium.

SECTION 6 RULES AND REGULATIONS. The board of trustees shall have power to make and adopt such rules and regulations, not inconsistent with the law, the articles of conversion of the Cooperative or these bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

SECTION 7 ACCOUNTING SYSTEM AND REPORTS. The accounts of the Cooperative shall be established and maintained in such form, subject to any contractual obligations of the Cooperative, as the board of trustees may prescribe. All accounts of the Cooperative shall be examined by a committee of the board of trustees at least four (4) times a year at regular meetings of the board of trustees. The board of trustees shall also within thirty (30) days 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 at the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

SECTION 8 CHANGE IN RATES. Written notice shall be given to the Administrator of the Rural utilities Services of the United State of America and to each holder of the long term indebtedness of the Cooperative not less than thirty (30) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective and,

subject however to then existing contractual obligations of the Cooperative as expressed in mortgages and deeds of trust, such proposed change shall not become effective until deeds of trust, such proposed change shall not become effective until approved by holder or holders of not less than seventy-five per centum (75 per cent) in principal amount of such long term secured indebtedness.

SECTION 9 TRAINING REQUIREMENTS. Trustees must obtain a minimum of two (2) hours of training each fiscal year in office, and such other whole board training as required by the Board of Trustees. Any trustee who fails to complete the required continuing education shall not receive compensation as a trustee until he or she has completed the required continuing education and is subject to removal from office by a two-thirds (2/3rd) vote of the board of trustees in a regularly scheduled meeting of the board of trustees at which a quorum is present.

ARTICLE IV

MEETINGS OF TRUSTEES

SECTION 1 REGULAR MEETINGS. A regular meeting of the board of trustees shall be held immediately after, and at the same place as, the annual meeting of the members. A regular meeting of the board of trustees shall also be held monthly at such time and place in Arab, Marshall County, Alabama, as the board of trustees may provide by resolution.

SECTION 2 SPECIAL MEETINGS. Special meetings of the Board of trustees may be called by the President or any three (3) trustees. The person or persons authorized to call special meetings of the board of trustees may fix the time and place (which shall be in Arab, Marshall County, Alabama) for the holding of any special meeting of the board of trustees called by them.

SECTION 3 NOTICE. Notice of the time, place and purpose of any special meeting of the board of trustees shall be given at least three (3) days prior thereto, by written notice, delivered personally or mailed/mailed, to each trustee at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so address, with postage thereon prepaid. The attendance of a trustee at any meeting shall constitute a waiver of notice of such meetings, except in case a trustee 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 trustees shall constitute a quorum for the transaction of business at any meeting of the board of trustees, provided, that if less than a majority of the trustees present may adjourn the meeting from time to time without further notice.

SECTION 5 MANNER OF ACTING. The act of the majority of the trustees present at a meeting at which a quorum is present shall be the act of the board of trustees.

SECTION 6: OPEN MEETINGS: The AEC Board shall develop and implement a policy that provides the membership access to meetings that substantially comports with the provisions of the

Alabama Open Meetings Act. Compliance shall be defined in Board policy and posted on the AEC webpage.

ARTICLE V

OFFICERS

SECTION 1 NUMBER. The officers of the Cooperative shall be a President, Vice-President, Secretary and Treasurer. The offices of Secretary and of the 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 trustees at the first meeting of the board of trustees held after each 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 trustees following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provision of these bylaws with respect to the removal of officers.

SECTION 3 REMOVAL. Any officer or agent elected or appointed by the board of trustees may be removed by the board of trustees whenever in its judgment the best interests 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 trustees 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 trustees;
- b) shall sign, with the Secretary, sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of trustees to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of trustees 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 the duties incident to the Office of President and such other duties as may be prescribed by the board of trustees from time to time.

SECTION 6 VICE PRESIDENT. In the absence of the President, or in the event of this 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 from time to time may be assigned to him by the board of trustees.

SECTION 7 THE SECRETARY SHALL: Be responsible for assuring that the following duties are performed in a proper manner.

- a) keep the minutes of the meetings of the members and the board of trustees in one more books provided for the 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 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 provision of these bylaws;
- d) keep on file at all times a complete copy of the bylaws of the Cooperative containing all amendments thereto, which 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 thereto each member; and
- e) in general perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the board of trustees.

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 receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit 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 the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the board of trustees.

SECTION 9 MANAGER. The board of trustees may appoint a manager who shall be required to be a member of the Cooperative. The manager shall have general oversight, care and management of the property and business of the Cooperative and shall perform such additional duties and have such additional authority as the board of trustees may from time to time require of or vest in him or her, provided, however, that the manager shall always be subject to the direction and management of the board of trustees through action taken at regular or special meetings of such board.

SECTION 10 BONDS OF OFFICERS. The board of trustees shall require the Treasurer or any other 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 trustees shall determine. The board of trustees 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. The cost of such bond or bonds for officers, employees and trustees shall be paid by the Cooperative.

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 and showing the condition of the Cooperative at the close of such fiscal year.

SECTION 12 NEPOTISM. No close relative, (as defined by board policy) of a director, officer, or the manager shall be a paid employee of the Cooperative.

ARTICLE VI

CONTRACTS, CHECKS AND DEPOSITS

SECTION 1 CONTRACTS. Except as otherwise provided in these bylaws, the board of trustees 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 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 trustees.

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 trustees may select.

ARTICLE VII

REVENUES AND RECEIPTS

Revenues of the Cooperative (exclusive of amortization charges which shall be disposed of as hereinbefore in section 5 of Article I of these By Laws provided) for any fiscal year in excess of the amount thereof necessary for:

- a) Payment of all current operating expense, including salaries, wages, cost of materials and supplies, power at wholesale, taxes and insurance;
- b) Payment, at maturity, of interest on all bonds, notes or other principal indebtedness issued by, or the payment of which shall have been assumed by the Cooperative, and for amortization charges on all such bonds, notes or other principal indebtedness and or sinking fund payments thereon;
- c) The establishment and maintenance of reasonable reserves for replacements, new construction, and for contingencies, and to provide a reasonable amount of cash working capital; and

- d) Payment of or the establishment and maintenance of a reserve in an amount sufficient for the payment of, all bonds, notes, or other principal indebtedness, including interest thereon to the date of the actual payment shall, subject to contractual obligations of the Cooperative, be distributed by the Cooperative to its members as either (1) patronage refunds prorated in accordance with the patronage of the Cooperative by the respective members paid for during such fiscal year, or (2) by way of general rate reductions, or (3) by combination of such methods.

ARTICLE VIII

DISPOSITION OF PROPERTY

SECTION 1 SALE AND ENCUMBRANCE 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 duly held meeting of the members thereof the affirmative vote of not less than two-thirds of all 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, or any other provisions of law, the board of trustees of the Cooperative, without authorization by the members thereof, shall have full power of authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all 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 trustees shall determine, to secure any indebtedness of the Cooperative to the United States of America or any instrumentality, or agency thereof, or any other lending Cooperative or lending institution.

SECTION 2 PROPERTY INTEREST OF MEMBERS In the furnishing of electric energy the Cooperative's operation shall be conducted to that all patrons will through their patronage furnish capital for the Cooperative. The Cooperative shall and does not operate on a nonprofit basis and all amounts received and receivable from furnishing electric service, in excess of operating costs and expense, shall be the patron's prorated share of the contributed capital. Revenue in excess of operating costs and expense shall be used first to offset shortages or prior years, but when the Board shall determine that the financial condition of the Cooperative will not be impaired the electric rates shall be reduced as provided in Article VIII of these By-Laws.

In the event of liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid any reserves or shortages shall, notwithstanding the provisions of Section 3 of Article I of these By-Laws, be prorated among all members and heirs of deceased members on the basis of capital contributed. Capital gain for the member who cancels membership with the Cooperative or heirs of the deceased member shall be prorated to the end of the fiscal year in which the membership terminated. The books of the Cooperative shall be kept in a manner that each member's capital contributions can be ascertained.

However, should any patron or member discontinue service and not pay the final bill, all or any part needed of this capital contribution shall be applied on this indebtedness and only the amount in excess of this indebtedness shall be the member's capital contribution.

ARTICLE IX

WAIVER OF NOTICE

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

ARTICLE X

FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first day of July of each year and end on the thirtieth day of June of the following year.

ARTICLE XI

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, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification, or with the approval of the Administrator of RUS, of any other corporation for the purpose of acquiring electric facilities.

ARTICLE XII

SEAL

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name Arab Electric Cooperative Inc. and the words "Corporate Seal, Alabama".

ARTICLE XIII

AMENDMENTS

These bylaws may be altered, amended or repealed by the members, as follows:

- a) By making a motion to amend the bylaws at the Annual Meeting of the Membership. Any motion made and duly seconded by a member shall be voted on by the membership at an Annual Meeting

as provided in subsection “d” of this Article unless the motion is quashed by a Two-Thirds (2/3rd) vote of the Board of Trustees in a regularly scheduled meeting of the Board of Trustees; and

- b) All proposed bylaw amendments which would change more than one Article must be voted on by the membership separately; and
- c) No proposed bylaw amendment shall be voted on by the membership without the proposed amendment being presented to the membership and discussed in the next Annual Meeting and then placed on a ballot for the following Annual Meeting; and
- d) All proposed bylaw amendments which will be presented to and/or voted upon by the membership shall be published in three (3) separate locations, including the Alabama Living Magazine, The Arab Tribune, the Cooperative website, and/or on the Cooperative social media site(s) prior to the Annual Meeting in which the proposed amendment will be discussed and/or voted upon.

Any proposed bylaw amendment quashed by the Board of Trustees, shall be voted upon by the memberships as provided herein if supported by a petition signed by a Quorum of the membership, as defined in Article II, Section 4, above.

Bylaws as amended:

August 22, 1967; August 23, 1969; August 23, 1980; August 28, 1982; August 24, 1985; August 22, 1987; August 24, 1996; August 28, 2021; August 26, 2023; August 22, 2026