

**BYLAWS OF THE  
MAGNOLIA ELECTRIC POWER ASSOCIATION**  
(as amended and adopted June, 2022)

**ARTICLE I MEMBERS**

**Section 1.01 Qualification, Applications and Obligations.**

- (a) Any person, firm, corporation, or body politic may become a member of Magnolia Electric Power Association, herein called "Association" by:
  - (1) making a written application therefor; and
  - (2) paying the membership fee hereinafter specified; and
  - (3) agreeing to purchase from the Association electric energy as hereinafter specified; and
  - (4) agreeing to comply with and be bound by the Certificate of Incorporation of the Association and by these bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors.
- (b) All applications received for membership will be considered by the Board of Directors at the next scheduled Board Meeting if such application is received with sufficient time to be added to the agenda. No member may hold more than one membership in the Association, and no membership in the Association shall be transferrable. With respect to any particular classification of service for which the Board of Directors shall require it, such application shall be accompanied by a supplemental contract, executed by the applicant on such form as is provided therefor by the Association.
- (c) The membership application shall be accompanied by any service security deposit, service connection deposit or fee, facilities extension deposit, contribution in aid of construction that may be required by the Association, which fee (and such service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction if any) shall be refunded in the event the application is not approved. Any former member of the Association may, by the sole act of paying a new membership fee and any outstanding account with interest (together with any service security deposit, service connection deposit or fee, facilities extension deposit, or contribution in aid of construction that may be required by the Association), renew and reactivate any prior application for membership to the same effect as though the application had been newly made on the date of such payment.
- (d) The membership fee shall be as fixed from time to time by the Board of Directors. The membership fee (together with any service security deposit, or service connection deposit or fee, facilities extension deposit, or contribution in aid of construction, or any combination thereof, if required by the Association) shall entitle the member to as many service connections as he or she may desire and the Association is agreeable to furnishing. A service connection deposit or fee, in such amount as shall be prescribed by the Association (together with a service security deposit, a facilities extension deposit or contribution in aid of construction, if required by the Association), shall be paid by the member for each additional service connection requested by him or her if so required by the Association.

Notwithstanding anything appearing in these bylaws to the contrary, the agreement of any person, firm, corporation or body politic (hereinafter in this paragraph called "person") to become responsible to the Association for the payment of any of the Association's charges for electricity sold and delivered or to be sold and delivered by the Association, whether to said person or to others, shall constitute an application for membership in the Association. The acceptance by the Association from any such person of payment for any electricity sold and delivered by the Association together with the resolution of the Board of Directors of the Association accepting such person as a member of the Association shall constitute an acceptance of such application for membership. Such acceptance thereby makes such person a member of the Association with all the rights and obligations of a member thereof, including but not limited to being bound by the terms and conditions of the membership agreement, Articles of Incorporation, Bylaws and rules, regulations, and policies of the Association, even though such person has not filed a written application for membership and even though such person has not paid a membership fee; provided however, that such acceptance of such person as a member of the Association shall not release him or her of an obligation to pay a membership fee to the Association.

**Section 1.02 Joint Membership.** Married couples may be accepted into the membership as joint members, unless otherwise specified in the application for membership. Either spouse may sign such application for the other if receiving service at the same connection. If a member shall marry the membership shall convert to a joint membership to include both the husband and wife. The word "member," "applicant," "person," "his or her" and "him or her," as used in these bylaws, shall include married couples applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally, severally and jointly to them. Without limiting the generality of the foregoing:

- (a) the execution by either or both of a proxy shall constitute one joint proxy;
- (b) the presence at a meeting of either or both shall constitute the presence of one member and a joint waiver of notice of the meeting and a revocation of any proxy executed by either, or both pursuant to Section 3.07 of these bylaws;
- (c) the vote of either or both shall constitute, respectively, one joint vote;
- (d) notice to, or waiver of notice signed by, either or both shall constitute, respectively, a joint notice or waiver of notice;
- (e) suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership except as provided by Section 2.06;
- (f) either, but not both concurrently, shall be eligible to serve as a director of the Association, but only if both meet the qualifications required therefor.

**Section 1.03. Purchase of Electric energy.** Each member shall, as soon as electric energy is made available, purchase from the Association all electric energy used on the premises specified in the member's application for membership, and shall pay at the applicable rate schedule which shall from time to time be fixed by the Board of Directors.

It is expressly understood that amounts paid for electric energy in excess of the operating costs and expenses of providing service are furnished by members as capital, and each member will be credited with the capital so furnished as provided in Article VIII of these bylaws. The Association shall have the right, but not the obligation, to set-off the capital of a member against any amounts due and owing from the member to the Association.

The Association cannot and therefore does not guarantee an uninterrupted and continuous supply of electric energy. Additionally, the Board of Directors may limit the amount of electric energy the Association shall be required to furnish to any one member. Each member or applicant shall assume liability and make payment for the following:

- (a) The account for which electric power service is rendered by the Association, at the location for which application for service is made.
- (b) Subject to the rules and regulations of the Public Service Commission, any delinquent account or amount owed to the Association where the member or applicant has resided at the location receiving service but only for such delinquency or account which occurred while the member or applicant was a resident.

Each applicant will furnish sufficient identification to verify their true identity and any previous addresses required by the Association.

**Section 1.04. Power Production by Member.** Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Association facilities shall be subject to appropriate regulations as shall be fixed from time to time by the Association. Notice of the presence or intent to construct such cogeneration facilities upon the premises shall be given to the Association. Compliance with the National Electrical Safety Code and the National Electrical Code is a prerequisite before any interconnection with the Association facilities may be allowed.

**Section 1.05 Wiring of Premises; Responsibility Therefor; Responsibility for Meter Tampering or Bypassing and for Damage to Association Properties; Extent of Association Responsibility; Indemnification.** Each member shall cause all premises receiving electric service pursuant to his or her membership to become and to remain wired in accordance with the specifications of the Mississippi Insurance Underwriters Association, the National Electrical Code, the National Electrical Safety Code, any applicable state code or local government ordinances, and of the Association, it being understood and agreed that the connection by the Association, to the members premises shall not in any way or manner constitute the Association's approval of the member's wiring or the safety or adequacy of the same. The Association shall have no duty to inspect, approve or disapprove any wiring and/or equipment of the member. Each member shall be responsible for and shall indemnify the Association and its employees, agents and independent contractors against death, injury, loss, damage, or claims resulting from any defect in or improper use or maintenance of such premises and all wiring apparatuses connected thereto or used thereon. Each member shall make available to the Association a suitable site, as determined by the Association, whereon to place the Association's physical facilities for the furnishing and metering of electric service and shall permit the Association's authorized employees, agents and independent contractors to have access thereto for meter reading and for inspection, operation, maintenance, replacement, relocation or repair of such facilities at all reasonable times. As part of the consideration for such service, each member shall be the Association's bailee of

such facilities and shall accordingly desist from interfering with, impairing the operation of, or causing damage to such facilities, and shall use his or her best efforts to prevent others from doing so. Each member shall also provide such protective devices to their premises, apparatuses or meter base as the Association shall from time to time require in order to protect the Association's physical facilities and their operation and to prevent any interferences with or damage to such facilities. In the event such facilities are interfered with, impaired in their operation, or damaged by the member, or by any other person when the member's reasonable care and surveillance should have prevented such, the member shall indemnify the Association and its employees, agents and independent contractors against death, injury, loss, damage, or claims resulting therefrom, including but not limited to the Association's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. The Association shall in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment or any error occurring in the Association's billing procedures. Pursuant to Section 77-5-259, Mississippi Code, no collection, reimbursement, or other relief may be awarded for overbillings occurring more than six years prior to the date of the member's written claim to the Board of Directors. In no event shall the responsibility of the Association extend beyond the point of delivery.

**Section 1.06. Member to Grant Easements.** Each member if legally able shall, upon being requested to do so by the Association, execute and deliver to the Association grants of easement or right-of-way over, on and under such lands owned or occupied by the member, and in accordance with such reasonable terms and conditions, as the Association shall require for the furnishing of electric service on said land to the member or other occupants or for the construction, extension, improvement, operation, maintenance or relocation of the Association's electric facilities.

**Section 1.07 Non-Liability for Debts of the Association.** The private property of the members of the Association shall be exempt from execution for the debts of the Association and no member shall be individually liable or responsible for any debts or liabilities of the Association.

## **ARTICLE II MEMBERSHIP SUSPENSION AND TERMINATION**

**Section 2.01. Suspension; Reinstatement.** Upon the failure to pay any amounts due the Association, after the expiration of the initial time limit prescribed in a specific written notice to a member, a person's membership shall automatically be suspended; and such person shall not during such suspension be entitled to receive electric service from the Association or to cast a vote at any meeting of the members. For any other noncompliance with membership obligations, the Board of Directors may suspend such member five (5) calendar days after notice of such non-compliance is given. Payment of all amounts due the Association, including any additional charges required for service reinstatement, and/or cessation of any other noncompliance with his or her membership obligations within a final time limit provided in such notice or rules and regulations shall automatically reinstate the membership in which event the member shall thereafter be entitled to receive electric service from the Association and to vote at the meeting of its members.

**Section 2.02. Termination by Expulsion; Renewed Membership.** Upon failure of a suspended member to be automatically reinstated to membership as provided in Section 2.01, the member may, without further notice, but only after due hearing if such is requested

by the member, be expelled by resolution of the Board of Directors at any subsequently held regular or special meeting of the Board. Any person so expelled may, by delivering written notice to the effect to the Association at least ten (10) calendar days prior to the next meeting of the members, appeal to and be present and heard at such meeting, which may vote approval of such expulsion or disapproval thereof, in which the latter event such person's membership shall be reinstated retroactively to the date of expulsion. After any finally effective expulsion of a member, such person may not again become a member except upon new application therefor duly approved as provided in Section 1.01. The Board of Directors, acting upon principles of general application in such cases, may establish such additional terms and conditions for renewed membership as it determines to be reasonably necessary to assure the applicant's compliance with all his or her membership obligations.

**Section 2.03. Withdrawal of Membership.** Any member may withdraw from membership upon payment in full of all debts and liabilities of such member to the Association and upon compliance with such terms and conditions as the Board of Directors may prescribe, thus terminating membership and service.

**Section 2.04 Termination by Death or Cessation of Existence; Continuation of Membership in Remaining or New Partners.** Except as provided in Section 2.06, the death of an individual member shall automatically terminate membership. Except for a joint member, any individual who continues to reside at a location that was previously receiving service in the name of the decedent must apply for a new membership by following the provisions of Section 1.01. The cessation of the legal existence of any other type of member shall automatically terminate such membership; PROVIDED, that upon the dissolution for any reason of a partnership, or upon the death, withdrawal or addition of any individual partner, such membership shall continue to be held by such remaining and/or new partner or partners as continue to own or directly to occupy or use the premises being furnished electric service pursuant to such membership in the same manner and to the same effect as though such membership had never been different partners; PROVIDED FURTHER, that neither a withdrawing partner nor its estate shall be released from any debts then due the Association.

**Section 2.05. Effect of Termination.** Upon the termination in any manner of a person's membership, or its estate as the case may be, said member shall be entitled to a refund of the membership fee (and to his or her service security deposit, if any, theretofore paid the Association), less any amount due the Association; but neither the member nor its estate, as the case may be, shall be released from any debts or other obligations then remaining due the Association. Notwithstanding the suspension or expulsion of a member as provided for in Sections 2.01 and 2.02, such suspension or expulsion shall not, unless the Board of Directors shall expressly so elect, constitute such release of such person from membership obligations as to entitle him or her to purchase from any other source any central station's electric power and energy for use at the premises to which such service has theretofore been furnished by the Association pursuant to such membership. The former member, or his/her estate, shall have the rights related to any capital such former member contributed to the Association as set forth in Article VIII.

**Section 2.06 Effect of Death, Legal Separation or Divorce upon a Joint Membership.** Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the estate of the

deceased spouse shall not be released from any debts due the Association. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues to directly occupy or own the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the other spouse shall not be released from any debts due the Association.

**Section 2.07 Board Acknowledgement of Membership Termination; Acceptance of Member Retroactively.** Upon the termination of a person's membership for any reason, the Board of Directors as soon as practicable after such termination is made known to it, shall by appropriate resolution formally acknowledge such termination, effective as of the date on which the Association ceased furnishing electric service to such person. Upon discovery that the Association has been furnishing electric service to any person other than a member, it shall cease furnishing such service unless such person supplies for, and the Board of Directors approves, membership retroactively to that date on which such person first began receiving such service, in which event the Association, to the extent practicable, shall correct its membership and all related records accordingly. If the Association acquires facilities which are already providing electric services to patrons not members of the Association, the Association may, for the purpose of continuing existing service and avoiding hardship, continue to serve the persons served by such facilities at the time of such acquisition without requiring that such persons become members. However, the Association may require such patrons to apply for membership with the Association within a reasonable time by following the provisions set forth in Section 1.01.

### **ARTICLE III MEETINGS OF MEMBERS**

**Section 3.01. Annual Meeting.** For the purposes of electing directors, hearing and passing upon reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting, the annual meeting of the members shall be held in March each year, at such place in one of the counties of Mississippi within which the Association serves, and beginning at such hour, as the Board of Directors shall from year to year fix; PROVIDED that, for cause sufficient, the Board of Directors may decide to hold the annual meeting in February or April. Failure to hold the annual meeting at the designated time and place shall not work a forfeiture or dissolution of the Association. It shall be the responsibility of the Board of Directors to make adequate plans and preparation for the annual meeting, and to encourage attendance by the membership at these meetings.

**Section 3.02. Special Meetings.** Special Meetings of the members may be called by at least a majority of directors or upon written request signed by at least 5% 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 within the service area of the Association, in the State of Mississippi, specified in the notice of the special meeting.

**Section 3.03. Notice of Members' Meetings.** Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than thirty (30) calendar days nor more than sixty (60) calendar days before the date of the meeting, either personally, or by mail, by or at the direction of the Secretary, or by the directors or members calling the meeting, to each member. If directors are to be elected at such meeting, the notice of member's meeting shall include a statement of the board members to be elected as provided

in Section 4.04. Unless contained with such notice, no matter may be acted upon at that meeting which requires the affirmative votes of at least a majority of the members. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member as it appears on the records of the Association, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

**Section 3.04. Quorum.** Five percent (5%) of all members shall constitute a quorum at a regular or special meeting of the members. This number shall be arrived at by adding the number of members present in person at the meeting to the number of members represented at that meeting by valid proxies filed as provided by these bylaws. If less than a quorum is present at any meeting of members, the individual who is presiding at the meeting may without a motion declare the meeting adjourned and closed or he or she may hold the meeting open for not longer than thirty minutes to see if a quorum is present within that time; and the meeting shall automatically be adjourned and closed if a quorum shall not be present at the end of said thirty minute period. The members present at a meeting at which a quorum is not present shall not have the power to take any kind of action, including, but not by way of limitations adjourning said meeting to another time or place. At all meetings of members, whether a quorum be present or not, the Secretary shall annex to the meeting minutes, or incorporate therein by reference, a list of those members who registered as present in person or who were represented by valid proxies.

**Section 3.05. Voting.** Each member who is not in a status of suspension as provided for in Section 2.01, shall be entitled to only one vote upon each matter submitted to a vote at any meeting of the members at which a quorum is present. A member may vote in person or by proxy. At a meeting of the members where directors are to be elected, all members present in person or by proxy may cast one vote for each director to be elected; each member may vote their own vote plus those proxies executed in their favor, pursuant to Section 3.07 of these bylaws. Voting by members other than members who are natural persons shall be allowed upon the presentation to the Association, prior to or upon registration at each member, of satisfactory evidence entitling the person presenting same to vote. At all meetings of the members all questions shall be decided by a majority of the members voting thereon, except as otherwise provided by law or by the Association's Certificate of Incorporation or these bylaws. Members may not cumulate their votes.

**Section 3.06. Proxies.** At all meetings 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 (5) business days prior to the meeting. The proxy must have entered thereon the account number of the member appointed to vote the proxy. If one person shall receive electric service through two (2) or more meters at different premises, he or she shall be entitled to not more than one (1) vote at any meeting of the members. 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 proxy shall be voted by anyone except a member. No more than ten (10) proxies may be assigned to other members. No restriction shall apply to the number of proxies assigned to the Board of Directors who shall vote the proxies assigned to them according to the will of the majority of

the members of the Board of Directors. 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. In case of a joint membership, a proxy may be executed by either spouse. The timely presence of either spouse at a meeting of the members shall revoke a proxy theretofore executed by (-either of-) them and such joint member or members shall be entitled to vote at such meeting in the same manner and with the same effect as if a 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. Only the proxy form issued by the Association shall be valid.

**Section 3.07. Representative Voting.** Legal entity organizations and nonlegal entity organizations which are members of the Association may be represented at any meeting of the members and may vote only as follows: (a) any director, officer or general manager may represent and cast the one vote of a corporation; (b) a trustee, steward, deacon, clerk, or pastor may represent and cast the one vote of a church; (c) a school trustee, principal or superintendent may represent and cast the one vote of a school; (d) or any other association or organization not a legal entity may be represented by and have its one vote cast by any person who is a trustee, or manager or part owner, or any officer of such association or organization.

**Section 3.08. Order of Business.** The order of business at the annual meetings of the members and, so far as practicable, at all other meetings of the members shall be essentially as follows, except as otherwise determined by any officer of the Association who is presiding at such meeting:

1. Report on the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting.
3. Reading, or the waiver thereof, of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of reports of officers, directors and committees.
5. (a) Receive report of Committee on Nominations.  
(b) Secretary to present petitions filed and posted for the nomination of Directors.  
(c) Election of Directors.
6. Unfinished business.
7. New business.
8. Adjournment.

## **ARTICLE IV DIRECTORS**

**Section 4.01. General Powers.** The business and affairs of the Association shall be managed by a Board of Directors which shall have all of the powers and rights permitted by Title 77, Chapter 5 of the Mississippi Code. The Board of Directors shall



exercise all of the powers of the Association except such as are prohibited by law, or by the Articles of Incorporation of the Association, or by these bylaws conferred upon or reserved to the members.

**Section 4.02 Districts.** In order to assure equitable representation of the geographical areas of the Association on the Board of Directors, the territory served or to be served by the Association shall be divided into nine (9) districts. Each district shall be represented on the Board of Directors by one Board Member. At each annual meeting of the members, one-third (1/3) of the total number of Directors shall be elected by ballot, by and from the members, to serve for a term of three years as provided by law or until their successors shall have been elected and shall have qualified. The nine (9) districts are identified and described as follows:

**DISTRICT NUMBER 1:** All the portion of certificated area of the Cooperative which lies south of Mississippi State Highway No. 24 and west of the east boundary line of Amite County, all being in Amite County, Mississippi.

**DISTRICT NUMBER 2:** All that portion of the certificated area of the Cooperative which lies north of Mississippi State Highway No. 24, west of the east boundary line of Amite County and south of the north boundary line of Amite County, all being in Amite County, Mississippi.

**DISTRICT NUMBER 3:** All that portion of the certificated area of the Cooperative which lies north of the south boundary line of Lincoln and Franklin counties and west of the Illinois Central Railroad Company main line right-of-way and south and west of a line which begins at the intersections of the west line of said Illinois Central Railroad Company main line right-of-way and the north boundary of Section 13, Township 6, North, Range 7 East, Lincoln County, Mississippi, and runs thence west to the northwest corner of Section 18, said township and range, thence north to U.S. Highway No. 84 and south of said U.S. Highway No. 84, being partly in Franklin County and partly in Lincoln County, Mississippi.

**DISTRICT NUMBER 4:** All that portion of the certificated area of the Cooperative (a) situated in Lawrence County which lies north and west of a line beginning at the Northwest corner of Section 18, Township 6 North, Range 10 East, run thence east two miles, thence north to north boundary line of Lawrence County and (b) situated in Lincoln County and is north and east of a line beginning at the northeast corner of Section 13, Township 6 North, Range 9 East, Lincoln County, Mississippi, run thence west to the northwest corner of Section 18 of Township 6 North, Range 7 East, and run thence north to the north boundary line of Lincoln County, being partly in Lincoln County and partly in Lawrence County, Mississippi.

**DISTRICT NUMBER 5:** All that portion of the certificated area of the Cooperative (a) situated in Lawrence county which lies south of a line beginning at the northwest corner of Section 18, Township 6 North, Range 10 East, and runs thence east to the eastern boundary of Lawrence County, and (b) situated in Lincoln County and located east of the Illinois Central Railroad Company main line right-of-way and south of a line which begins at the northeast corner of Section 13, Township 6 North, Range 9 East, Lincoln County, Mississippi, and runs thence west to said Illinois Central Railroad right-of-way, being partly in Lincoln County and partly in Lawrence County, Mississippi.

**DISTRICT NUMBER 6:** All that portion of the certificated area of the Cooperative which lies within Pike County and is located north of the boundary line dividing Township 2 North and Township 3 North, all being in Pike County, Mississippi.

**DISTRICT NUMBER 7:** All that portion of the certificated area of the Cooperative which lies within Pike county and is located south of the boundary line between Township 2 North and Township 3 North, all being in Pike County, Mississippi.

**DISTRICT NUMBER 8:** All that portion of the certificated area of the Cooperative which lies within Walthall and Marion Counties, Mississippi, and is located north of U.S. Highway No. 98, all being in Walthall and Marion County, Mississippi.

**DISTRICT NUMBER 9:** All that portion of the certificated area of the Cooperative which lies within Walthall and Marion Counties, Mississippi, and is located south of the U. S. Highway No. 98, all being in Walthall and Marion counties, Mississippi.

**Section 4.03. Tenure and Qualifications** (a) At each annual meeting of the members one-third (1/3) of the total number of directors shall be elected by ballot, by and from the members, to serve for a term of three (3) years as provided by law. If the election of directors shall not be held at the annual meeting or if such annual meeting is not held, each director shall hold office until their successor shall have been elected and qualified. The Association will make reasonable attempts to qualify candidates and hold the election for the successor as set forth in Section 4.04 as soon as practicable.

(b) At any meeting, ballots shall not be necessary in the event the number of persons nominated for directors does not exceed the number of directors to be elected, but in such case if there be no objection, the directors may be elected in any other proper manner. Drawing by lot shall resolve, where necessary, any tie votes. If an election of directors shall not be held on the day designated for the annual meeting, a special meeting of the members may be held for the purpose of electing directors within a reasonable time thereafter.

(c) No person shall be eligible to become or remain a director or to hold any position of trust in the Association who is not an active member in good standing of the Association, has not been a bona fide resident of or living in close proximity to the district from which they are to be elected or who is in any way employed by or financially interested in a competing enterprise except as set out in (e)(2) below.

(d) No person shall be eligible to become or remain a director who has been finally convicted of a felony or misdemeanor involving moral turpitude.

(e) In order to be eligible to become or remain a director of the Association, a person must be a member of the Association and not be a close relative as defined in Section 4.08 of an employee, incumbent director, or the director being replaced. However the operating or chief executive of any member which is not a natural person, such as a corporation, church, etc., or its designees, shall, notwithstanding that they do not receive service from the Association, be eligible to become a director, from the Directorate District in which such member is located, if they or such designee:

1. is in substantial permanent occupancy, direction or use of the premises served by the Association, and
2. is a permanent and year-round resident within or in close proximity to an area served by the Association, that no more than one (1) such person may serve on the Board of Directors at the same time. When a membership is held jointly by a married couple, either one but not both may be elected a director; provided, however that neither one shall be eligible to become or remain a director or to hold a position of trust in the

Association unless both shall meet the qualifications hereinabove set forth. No person shall take or hold office as a director who is the incumbent of or a candidate for any elective county, district, school district, municipal or state public office

(f) No person shall be eligible to become or remain a director of, or to hold any other position in trust in the Association who does not have the legal capacity to enter into a binding contract.

(g) Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these bylaws, it shall be the duty of the chair presiding at the meeting at which such nominee would be otherwise voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Association lacks eligibility under this Section, it shall be the duty of the Board of Directors to withhold such positions from such person, or to cause them to be removed therefrom, as the case may be.

(h) Nothing in this Section contained shall, or shall be construed to, affect in manner whatsoever, the validity of any action taken at any meeting of the Board of Directors, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the directors have an interest adverse to that of the Association. (changes as per minutes 1/7/11 meeting)

#### **Section 4.04. Committee on Nominations; Credentials and Elections.**

(a) **Committee on Nominations.** It shall be the duty of the Board to appoint, no less than sixty (60) calendar days nor more than one hundred and twenty (120) calendar days before the date of the meeting of the members at which directors are to be elected, a committee on nominations from each district from which a director is to be elected, consisting of not less than 3 nor more than 5 members who shall be selected from different sections of the district so as to insure equitable geographic representation. No existing Association employee, agents, officers, directors or known candidates for director, and close relatives (as hereinafter defined) or members of the same household of existing association employees, agents, officers, directors or know candidates for director

may serve on such committees. The committees shall receive and consider any written suggestion as to nominees submitted by members of the Association. The committee shall prepare and post at the principal office of the Association at least fifty (50) calendar days before the meeting a list of nominations for board members.

(b) **Section 4.04(b) Nominations by Petition.** Any fifty (50) members acting together may make other nominations by petition and the Secretary shall post at least seventy-five (75) calendar days before the meeting such nominations at the same place where the list of nominations by the committees are posted. Any petition for nomination shall be submitted on a form designated and provided by the Association. Each member signing such petition shall place thereon the date of signing, address, and account number of the member. The Secretary shall mail with the notice of the meeting or separately a statement of the number of board members to be elected and the names of candidates nominated by the committees and the names of candidates nominated by petition, if any.

(c) **Committee on Credentials and Elections.** It may be the duty of the Board to appoint no less than sixty (60) nor more than one hundred twenty (120) calendar days before the date of the meeting of members at which directors are to be elected, a Committee on Credentials and Elections consisting of not less than 5 nor more than 7 members who shall be selected from different districts so as to insure equitable geographic representation. No

existing association employee, agent, officer, director or known candidate for director or close relative (as hereinafter defined) or members of the same household of existing association employees, agent, officers, directors or known candidates for director may serve on such committee. It shall be the responsibility of the committee to pass upon all questions that may arise with respect to the registrations and qualifications of members in person or by proxy, the regularity of all petitions for Nominations of Directors, the qualifications of all nominees for director, to count all ballots cast in any election or other ballot vote taken, and to rule upon the effect of any ballots irregularly marked. In the exercise of its responsibility, the Credentials and Election Committee shall have available to it the advice of counsel provided by the Association. In the event a written protest or objection is filed concerning any election, such protest or objection must be filed during or within three (3) business days following the adjournment of the meeting in which the voting is conducted. The Credentials and Election Committee shall thereupon be reconvened, upon notice from its chairman, not less than seven (7) business days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protester(s) or objector(s), who may be heard in person, by counsel, or both, and any opposing evidence; and the Credentials and Election Committee, by a vote of a majority of those present and voting, shall within a reasonable time, but not later than thirty (30) business days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Credentials and Election Committee's decision (as reflected by a majority of those actually present and voting on all matters covered by this Section) shall be final.

(d) In the event of any meeting of the members at which directors shall not be elected, the Board of Directors may nevertheless appoint a Credentials Committee to be appointed in the same manner as provided herein for the Committee on Credentials and Elections with full authority to finally pass upon all applicable matters herein provided as well as any other matters or questions which may be referred to it by the Chair of the meeting or the Board of Directors. The President of the Board, or the President's designee, shall preside at and conduct all meetings of the members with full authority to refer any questions deemed appropriate by the President or designee to the aforesaid Committee for decision.

(e) 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 4.05. Removal of Directors and Officers.** Any member for just cause may bring charges against an officer or director by filing them with the Secretary, together with a petition signed by at least ten percent (10%) of the members, requesting the removal of the officer or director in question. "Just cause" includes but is not limited to: official misconduct, gross negligence while in the performance of official duties and/or final conviction of a felony or misdemeanor involving moral turpitude. 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 as set forth in Section 4.06. The director 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 or both and to present evidence, and the person or persons bringing the charges shall have the same opportunity.

**Section 4.06. Vacancies.** Subject to the provisions of these bylaws with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled by a

person meeting the qualifications of Section 4.03, and elected by a majority vote of the remaining directors, and the directors thus elected shall serve the unexpired terms of the directors so replaced and until their successors shall have been elected and shall have qualified. The office of a director shall become vacant, and subject to being filled pursuant to this Section if (1) the director shall have failed to attend as many as three consecutive meetings of the board, whether special or regular, and at least two-thirds of the remaining directors in office determine, in their sole judgment, that such failure did not occur for justifiable cause and will likely recur; or (2) the Director, as determined in their sole judgment by at least two-thirds of the remaining directors in office, has become incapable of performing the duties of a director and such incapability is not likely to cease within a reasonable time; or (3) such director is no longer a bona fide resident of the District such director was elected to represent, and the Board finds such change of residence is permanent.

**Section 4.07. Compensation, Reimbursement, Employment of Relatives.** (a) Directors shall be entitled to reasonable compensation for time spent and reimbursement for expenses incurred by them in the performance of their duties. Compensation of directors shall be in such amounts as may be authorized by the Board of Directors from time to time. Reimbursement to directors for expenses incurred while performing duties as such may be made either (1) by payment of the actual amount of such expenses upon presentation of an itemized account therefor, or (2) by the payment of such fixed sum for each occasion involving the performance of duties for the Association as may be authorized and deemed reasonable by the Board of Directors.

(b) No close relative of any director shall receive compensation for serving the Association unless the relative (1) has been in the regular employ of the Association immediately preceding the time the director to whom they are related become a director; or (2) Has been in the regular employ of the association immediately preceding the time the “close relative” classification is established, as the prohibition shall not apply if the “close relative” classification of the regular employee did not begin until after the employee began working for the Association; or (3) performs service certified by the Board as an emergency measure; or (4) receives compensation by authorization of the membership.

**Section 4.08. “Close Relative” Defined.** As used in these bylaws “close relative” means a person who is related to the third degree by blood or marriage to a present employee or director, including step and adoptive kin. This includes, for instance: spouse, father, mother, son, daughter, brother, sister, grandparent, grandchild, niece, nephew, aunt, uncle, son-in-law, daughter-in-law, mother-in-law, father-in-law, sister-in-law or brother-in-law.

**Section 4.09. 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 Association or these bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Association.

**Section 4.10. Accounting System and Reports.** The Association’s accounting system shall be of the type and form as may from time to time be designated by the Administrator of the Rural Electrification Administration of the United States of America, National Rural Utilities Cooperative Finance Corporation, and the Mississippi Public Service Commission and subject to all applicable laws, rules and regulations of any lawful regulatory body. A complete audit of the accounts, books and financial condition of the Association shall be made as of and as soon as practical after the end of each fiscal year by a certified public accountant. A report on such audit may be submitted to the members at

the following annual meeting and shall be submitted to the Mississippi Public Service Commission and Public Utilities Staff for review and archiving. If deemed practical by the management of the Association, a summary of the financial status of the Association may be published annually, and such summary will be furnished to any member of the Association but only upon written request made therefor.

**Section 4.11. Indemnification and Liability Insurance.** (a) On the terms and conditions hereinafter stated, the Association or its insurer shall indemnify any director, officer or employee of the Association, including any former director, officer or employee of the Association, who is or was a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by virtue of their position within the Association, for expenses, claims, liabilities, cost, judgments, fines, including attorney's fees reasonably incurred or imposed upon such person in connection with such actual or threatened action, suit, proceeding, or investigation and against any amount reasonably and with prior approval of the Board of Directors of the Association paid in settlement of any such actual or threatened suit, action or proceeding if:

- (1) The action complained of was undertaken in good faith; and
- (2) It was in good faith believed that:
  - (a) Actions taken in any official capacity of the Association were in its best interests;
  - (b) Conduct in any other capacity was at least not opposed to the Association's best interests; and
  - (c) In the case of any criminal proceeding, there was no reasonable cause to believe the conduct was unlawful.

The termination of a proceeding by judgment, order, settlement or conviction is not, of itself, determinative as to whether the requisite standard of conduct has been met.

(b) The purpose of this provision is to remove any financial risk in connection with the good faith service of a director, officer or employee and to this end the Association shall secure and maintain adequate liability insurance governing such indemnification, expenses and attorney's fees to the extent that it is reasonably available as determined by the Board and, other provisions to the contrary notwithstanding, such indemnification as herein provided shall be provided at least to the extent of any applicable insurance coverages.

(c) The Association may pay for or reimburse the reasonable expenses incurred by a director, officer or manager who is a party to a proceeding in advance of final disposition of the proceeding if:

- (1) The individual furnishes the Association a written statement of their good faith belief that they have met the standard of conduct described in section 4.11 (a) above;
- (2) The written statement reflects an agreement by the individual to repay the advance if it is ultimately determined that they did not meet the standard of conduct; and
- (3) A determination is made that the facts then known to those making the determination would not preclude indemnification.

The undertaking required by subsection 4.11 (c) above shall be an unlimited

general obligation of the director, officer, or manager but need not be secured and may be accepted without reference to financial ability to make repayment.

(d) There shall be no indemnification of any director, officer or employee of the Association if the Board of Directors affirmatively finds that they did not meet the standard of conduct outlined in Section 4.11 (a) above. In making such a determination, the Board of Directors must affirmatively state that sufficient facts exist to support a finding of non-compliance with the above described standard of conduct. Such an affirmative statement must be made by a majority of Board members who are not the object of the action, suit, proceeding or investigation. Should the entire Board of Directors be made the object of such action, suit, proceeding or investigation, then there shall be appointed by the Board of Directors of the Association an independent committee made up of three (3) members whose sole purpose shall be to make such a determination on the issue of indemnification.

(e) There shall be no indemnification of any director, officer or employee wherein the individual is adjudged by the Board of Directors to be guilty of misconduct, gross negligence, or an illegal act or acts in the performance of his or her duties.

(f) The provisions of this Section shall be inapplicable to any action brought by the Association against any officer or director otherwise indemnified hereunder or in connection with any other proceeding charging improper personal benefit to the one so charged, whether or not involving action in an official capacity, in which they are adjudged liable on the basis that personal benefit was improperly received.

(g) The provisions of this section shall be applicable to actions or proceedings commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof, and to any such officers or directors who should hereinafter cease to be officers and directors, and shall inure to the benefit of their heirs and legal representatives.

## **ARTICLE V MEETINGS OF DIRECTORS**

**Section 5.01. Regular Meetings.** A regular meeting of the Board of Directors shall be held monthly at such time and place as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing time and place thereof.

**Section 5.02. Attendance by Members at Meetings of the Board of Directors.** (a) Regular meetings of the Board of Directors shall be open to the members of the Association unless the Board goes into executive session. Meetings of the Board of Directors shall not be open to non-members except upon express invitation of the Board. Executive sessions which are not open to members may be held when the Board of Directors discusses any of the following.

- (1) transaction of business and discussion of personnel matters concerning the character, professional confidence of physical or mental health of a person;
- (2) strategy sessions or negotiations with respect to prospective litigation, litigation, or issuance of an appealable order when an open meeting would have a detrimental effect on the litigating position of the Association;
- (3) transaction of business and discussion regarding the report, development, or course of action regarding security personnel, plans, or devices;

- (4) investigative proceedings regarding allegations of misconduct or violation of law;
- (5) cases of extraordinary emergency which would pose immediate or irrevocable harm or damage to persons and/or property;
- (6) transactions of business and discussion regarding the prospective purchase, sale or leasing of lands or chattels or the negotiations for or acquiring of easements or right-of-way,
- (7) transaction of and/or discussion of negotiations regarding the location, relocation, or expansion of Association facilities;
- (8) discussion of terms of employment or termination of employees;
- (9) discussion of such matters as would be recognized by the courts as legally privileged;
- (10) any other business which the Board in its discretion deems to be of a sensitive nature.

(b) Members of the Association may address the Board at a regular meeting regarding any suggestions for better service, grievances, or any other matter affecting the Association, provided that the member has at least fifteen (15) business days in advance of the meeting executed a written request, in a form and manner prescribed by the Association, which will include the subject matter to be addressed and provide such information as is necessary to enable the Association to investigate the matter. The president or acting president of the Board of Directors may limit the format and length of any member or non-member's presentation. The Board of Directors may defer any presentation by a member to the next scheduled Board meeting due to the number of members seeking to address the Board of Directors at the meeting, or due to the length of any address or addresses. A nonmember of the Association may not address the Board of Directors unless specifically invited by the Board of Director, after executing a written request as provided above.

**Section 5.03. Special Meetings.** (a) Special meetings of the Board of Directors may be called by the President or any three (3) directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in Pike County, Mississippi), for the holding of any special meeting of the Board of Directors called by them;

(b) but in case of any emergency or unusual circumstances rendering such action expedient, special meetings shall be held in any part of the territory served by the Association, unless two thirds (2/3) of the directors consent to it being held in some other place in Mississippi or elsewhere.

(c) Special meetings may be held via telephone conference call, without regard to the actual location of the directors at the time of such telephone conference meeting, if all the directors consent thereto.

**Section 5.04. Notice.** Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given by or at the direction of the Secretary, or upon a default in this duty by the Secretary, by those directors calling a special meeting or by any director in the case of a meeting whose date, time and place have already been fixed by Board resolution, at least three (3) business days previous thereto, by written notice, delivered personally, electronically, or mailed to each director at their last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except when 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. In case of an emergency confirmed by a quorum of directors, twenty-four (24) hours' notice may be given by telephone and/or electronically and/or delivered to the directors' last known address to convene a special meeting of the board.

**Section 5.05. Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board, provided, that if less than such majority of the Board of Directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time provided that the Secretary shall notify any absent board members of the time and place of such adjourned meeting. A director who by law or these bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action of that matter, be counted in determining the number of directors in office or present. 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, except that a two-thirds (2/3) majority shall be required to sell assets of the system.

#### **ARTICLE IV OFFICERS**

**Section 6.01. Number.** The officers of the Association shall be a President, Vice President, Secretary and Treasurer, and other such officers as from time to time be deemed desirable by the Board of Directors. The offices of Secretary and of Treasurer may be held by the same person.

**Section 6.02. Election and Term of Office.** The officers may be elected annually by secret, written ballot or by any other proper method, without prior nomination, by and from the Board of Directors at the first meeting of the Board of Directors 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 Directors following the next succeeding annual meeting of members, or until a successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

**Section 6.03 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 interests of the Association will be served thereby.

**Section 6.04. 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 6.05. President.** The President:

- (a) shall preside at all meetings of the Board of Directors and all meetings of the members; provided, that the President shall have the authority to appoint any person to serve as chair for any special or regular meeting of the members, such chair to have all duties and responsibilities of the President of the Association while so presiding;
- (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 where the signing and execution of thereof shall be expressly delegated to some other officer or agent of the Association by the Board of Directors or these bylaws, or shall be required by law to be otherwise signed or executed;

- (c) shall appoint all committees of the Board of Directors and of the Association, both standing committees and temporary committees, except where otherwise provided by these bylaws, and shall serve as ex officio member of all committees except the Committee on Nominations and the Credentials and Election Committee; and
- (d) in general shall perform all duties incident to the office of President and other such duties as may be prescribed by the Board of Directors from time to time.

**Section 6.06. Vice President.** In the absence of the President, or in the event of an inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned by the Board of Directors.

**Section 6.07. 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 Association and affix the seal to all documents, the execution of which on behalf of the Association under its seal is authorized in accordance with the provisions of these bylaws;
- (d) keep a register of names and post office addresses of all members;
- (e) have general charge of the books of the Association;
- (f) keep on file at all times a complete copy of the Articles of Incorporation and bylaws of the Association containing all amendments thereto (which copy shall always be open to the inspection of any member); and
- (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors.

**Section 6.08 Treasurer.** The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Association;
- (b) the receipt of and the issuance of all receipts for all monies in the name of the Association in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and
- (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may assigned by the Board of Directors.

**Section 6.09. Delegation of Secretary's and Treasurer's Responsibilities.**

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Section 6.07 and 6.08, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the authority for, and the regular or routine administration of, one or more of each such officers' such duties to one or more agents, other officers or employees of the Association who are not directors.

**Section 6.10. General Manager, Executive Vice President.** The Board of Directors shall appoint a General Manager, who may be, but who shall not be required to be a member of the Association, and who also may be designated Executive Vice President. Such officer shall from time to time perform such duties as the Board of Directors may require and shall have such authority as the Board of Directors may so vest.

**Section 6.11 Bonds.** The Board of Directors in its discretion may require any officer, agent or employee of the Association to give bond in such amount and with such surety as it

may determine. The costs of all such bonds shall be borne by the Association.

**Section 6.12 Compensation.** The compensation, if any, of any officer, agent or employee shall be fixed by the Board of Directors as a part of the overall budget of the Association.

**Section 6.13. Reports.** The officers of the Association may submit at each annual meeting of the members reports covering the business of the Association for the previous fiscal year and showing the condition of the Association at the close of such fiscal year.

## **ARTICLE VII CONTRACTS, CHECKS AND DEPOSITS**

**Section 7.01. Contracts.** Except as otherwise provided in these bylaws, the Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of or on behalf of the Association, and such authority may be general or confined to specific instances.

**Section 7.02 Checks, Drafts, Etc.** All checks, drafts and other orders for payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be issued by an officer or officers of the Association or by the General Manager or other employee as designated by the Board and in such manner as shall from time to time be determined by a resolution of the Board of Directors.

**Section 7.03 Deposits.** All funds of the Association except petty cash shall be deposited or invested from time to time to the credit of the Association in such bank or banks or in such financial securities or institutions as the Board of Directors may select, not inconsistent with Miss. Code Ann. Section 77-5-247.

## **ARTICLE VIII NONPROFIT OPERATION**

**Section 8.01. Apportionment of Excess Revenues.** Mississippi Code 77-5-235 provides, in relevant part, that the Association's rates "shall be sufficient at all times to pay all operating and maintenance expenses necessary or desirable for the prudent conduct and operation of its business and to pay the principal of and interest on such obligations as the corporation may have issued and/or assumed in the performance of the purpose for which it was formed. The revenues and receipts of a corporation shall first be devoted to such operating and maintenance expenses and to the payment of such principal and interest and thereafter to such reserves for improvement, new construction, depreciation and contingencies as the board may from time to time prescribe. Revenues and receipts not needed for these purposes shall be returned to the members by such means as the board may decide, including through the reimbursement of membership fees, the implementation of general rate reductions, the limitation or avoidance of future rate increases, or such other means as the board may determine."

**Section 8.02. Interest or Dividends on Capital Prohibited.** The Association shall at all times be operated on an association nonprofit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Association on any capital furnished by its members unless otherwise required by law or regulatory authority or by resolution of the Board of Directors.

**Section 8.03. Patronage Capital in Connection with Furnishing Electric Energy.**

(a) In the furnishing of electric energy the Association's operation will be so conducted that all members will through their patronage furnish capital for the Association. All members acknowledge the need of the Association for capital received from members to operate. In order to induce patronage and to assure that the Association will operate on a nonprofit basis, the membership has voted to vest in the Board of Directors, in its discretion and business judgment, the ability to allocate patronage capital to the accounts of members, rather than paying them in cash, 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 total operating costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by members as capital credits. The Association may pay by credits for each member to a capital account on the books of the Association all such amounts in excess of operating costs and expenses. The books and records of the Association shall be set up and kept in such a manner that at the end of the fiscal year the amount of capital if any, so furnished by the member is clearly reflected and credited in an appropriate records to the capital account of each member.

(b) Each member agrees that all such amounts credited to the capital account of any member shall have the same status as though they have been paid to the member in cash each year pursuant to a legal obligation to do so and the member had then furnished the Association corresponding amounts of capital to the Association for its use in conducting the business of the Association.

(c) All other amounts received by the Association from its operations in excess of the costs and expenses shall, insofar as permitted by law, be (1) used to offset any losses incurred during the current or any prior fiscal year and (2) to the extent not so allocated shall be included as part of the capital credited to the accounts of members, as herein provided.

(d) In the event of a bid or proposal to purchase most or all of the assets of the Association, outstanding capital credits will be calculated and set up on the books of the Association as an outstanding indebtedness against the Association, to be assumed by the prospective purchaser in the event the sale takes place.

(e) If, at any time prior dissolution or liquidation, the Board of Directors shall determine in its sole discretion that the financial condition of the Association will not be impaired thereby, the capital then credited to members' accounts may be retired in full or in part. The Board of Directors shall have the discretion in the exercise of its business judgment to determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

1. Retirement of capital credits is the actual payment, as provided by subsection 2 below, of patronage capital to the Association members to whom it has previously been allocated. The Board may, in its discretion, utilize its business judgment to retire patronage capital as allocated on the books of the Association so long as the retirement is consistent with sound business and management practices and the financial stability of the Association will not be impaired thereby. If the Board, in its discretion, utilizes its business judgment to retire patronage capital to members either upon their death, termination of electric service, or bankruptcy, then the retirement may be discounted in the exercise of the Board's business judgment.

2. When the Board has determined, pursuant to subsection (1) above, that patronage capital shall be retired, the retirement may be accomplished in the manner determined by the Board, including by a bill credit or by the mailing of payment or notice of payment to the person's last known address of record on file with the Association. No interest shall be paid or payable by the Association on any patronage capital furnished by its members.

(f) In no event may the Board of Directors retire capital such that it would cause the Association to fall out of compliance with the provisions of any of its mortgage, deed of trust, loan contract, or other security instruments executed by the Association to secure any indebtedness of the Association.

(g) The Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion of capital credited to the account of the Association by an organization furnishing electric service to the Association. When capital credited to the account of the Association is retired by an organization furnishing electric service to the Association, any funds returned to the Association will be distributed to the membership on a pro rata basis based on the patronage during the years when the capital was credited to the account of the Association.

(h) Capital credited to the account of each member shall be assignable only on the

(h) Capital credited to the account of each member shall be assignable only on the books of the Association pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or part of such members' premises served by the Association unless the Board of Directors, in its discretion and business judgment, shall determine otherwise.

(i) The Association, before retiring any capital credited to any members' account, shall deduct therefrom any amount owing by such member to the Association together with interest thereon at the statutory rate on judgments in effect when such amount became overdue, compounded annually.

(j) To the extent the membership disagrees with the decisions of the Board of Directors with respect to the allocation or retirement of capital credits, the member may seek arbitration pursuant to Section 11.05 of the Bylaws, but only after the member has first provided written notice to the Board of Directors at least fifteen (15) calendar days in advance of the next scheduled regular monthly Board meeting and provided the Board of Directors with a reasonable time to investigate and respond to the matter.

(k) Notwithstanding any other provisions of these bylaws, the Board of Directors, at its sound discretion and business judgment, shall have the power at any time upon the death of any member, if the legal representatives of the estate shall request in writing that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provision of these bylaws, to retire, at a discounted rate as determined by the Board of Directors from time to time, capital credited to any such member as the Board of Directors shall determine; provided, however that the financial condition of the Association will not be impaired thereby.

(1)The members of the Association acknowledge that the terms and provisions of the Certificate of Incorporation and bylaws shall constitute a binding contract between the Association and each of its members, and both the Association and the members are bound by such contract, as fully as though each member individually signed a separate instrument containing such terms and provisions.

**Section 8.04. Dissolution or Liquidation.** (a) In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, any 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.

(b) The remaining liquidation proceeds, if any, shall be distributed ratably among all members of the Association.

**Section 8.05. Patronage Refunds in Connection with Furnishing Other Services.** In the event that the Association should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services may, in the discretion of the Board of Directors and insofar as permitted by law, be allocated to a capital account, prorated annually on a patronage basis and retired to those members, from whom such amounts were obtained using the procedures set forth in Section 8.01 and 8.03 herein.

## ARTICLE IX

### ACCESS TO ASSOCIATION RECORDS

**Section 9.01. Access to Corporate Records.** Upon timely and reasonable written request, in a form and manner prescribed by the Association, members of the Association may be entitled to examination of Association records and information where the General Manager and the Association's general counsel, or the Board of Directors agree that the request is in good faith, that the information requested and the purpose for which it is requested are materially germane to the requesting person's status and interest as a member of the Association, where the furnishing of information will not be inimical to the Association's best interest, and where the release of such information will not subject the Association to litigation or invade the privacy of any person. The Association's response to requests from members for Association information shall be governed by the following rules and procedures.

(a) No requests for information shall be considered until the requesting member fills out and executes an information request form.

(b) The request form as executed will be reviewed as soon as possible by the General Manager who, before acting, shall consult with the Association's general counsel. If both conclude that:

(1) the request is in good faith,

(2) the information requested and the purpose for which it is requested are materially germane to the requesting member's status and interest as a member of the Association,

(3) furnishing the requested information will not be inimical to the Association's best interests, and

(4) the release of such information will not subject the Association to litigation or invade the privacy of any person, then a time and manner will be provided for making such information available during normal business hours.

If either or both disagree to the applicability of any of the foregoing factors the matter will be referred to the Board of Directors for decision based upon those same factors.

## **ARTICLE X SALE OR LEASE OF ASSETS OF THE ASSOCIATION**

**Section 10.01. Vote of the Members Not Required.** The Board of Directors may, without authorization of the members, sell, mortgage, lease or otherwise encumber or dispose of

(a) any of its property which, in the judgment of the Board of Directors, is neither necessary nor useful in operating and maintaining the Association's system and which in any one (1) year shall not exceed ten percent (10%) in value of all of the property of the Association, or

(b) merchandise.

This Section and the other provisions of this article, however, shall have no application to the mortgaging or encumbering of the property of the Association for the purpose of borrowing money.

**Section 10.02 Vote Required.** (a) For property of the Association to be sold, leased, or disposed of other than in Section 10.01, the same must be first authorized by the affirmative vote of at least sixty percent (60%) of the members of the Association.

(b) Any proxy authorizing a vote for or against a proposal to sell, lease or otherwise dispose of property of the Association must satisfy the requirements set by the Securities and Exchange Commission Rule 14A-4. Any proxy authorizing a vote for or against a proposal to sell, lease or otherwise dispose of property of the Association obtained prior to the date notice is mailed shall be deemed invalid for purposes of determining whether the required member vote pursuant to this Section has been obtained.

**Section 10.03. Procedural Requirements.** (a) A proposal to sell property of the Association may be considered and voted on at the annual meeting of members or a special meeting of members called for such purpose. A meeting of the members of the Association for the purpose of considering and voting upon the sale, lease or other disposition of property of the Association to a particular Purchaser or to any person controlling, controlled by, or under common control with such Purchaser (an "Affiliate") shall not be held more than once in any twelve month period. (b) In order for any proposal to sell, lease or otherwise dispose of property of the Association to be properly brought before an annual or special meeting of the members, the requirements of Section 77-5-237, Mississippi Code (1972) must be met, and in addition the following requirements must be satisfied:

- (1) The Association must have provided written notification of the offer of purchase to any lender desiring to receive such notification or to any generation and transmission association of which the Association is a member. The notification of the offer of purchase must contain all of the information provided to the Association, its management and Board of Directors, or which is filed with the Public Service Commission.
- (2) The disclosure required by Section 77-5-237 Mississippi Code (1972) and any additional disclosure required by these bylaws must have been received in a form to allow management and the Board of Directors ample opportunity to review same.
- (3) The Purchaser must have agreed in writing to assume those obligations of the Association as required by Section 77-5-237 Mississippi Code (1972), and

other provisions of these bylaws.

- (4) The Purchaser must have agreed in writing to indemnify the Association and its members against any damage, liability or loss (including, without limitation, reasonable attorneys' fees, interest, penalties, judgments and amounts paid in settlement of, any claim, suit, action or proceeding) sustained, incurred, paid or required to be paid by the Association arising out of any act or omission of the Association or Purchaser occurring before or after the sale of property of the Association to the Purchaser.

**Section 10.04. Required Disclosure.** Any Purchaser shall prepare and deliver to the Board of Directors of the Association a written disclosure statement containing the following information and documents:

- (a) that information as required by Section 77-5-237, Mississippi Code (1972);
- (b) any plans or proposal of the Purchaser or an Affiliate of the Purchaser concerning the future conduct of the business of the Association including, but not limited to;
  - (1) Resale of any of the property of the Association;
  - (2) Termination of employment of persons employed by the Association;
  - (3) Changes in benefits of employees of the Association under any employee benefit plan;
  - (4) Changes in rates for electricity to be charged in the service area served by the Association; and
  - (5) Any reduction in service, change in service area, or requirements as to minimum charges which would affect members of the Association;
- (c) an opinion of counsel to the Purchaser setting forth the tax consequences of the acquisition to the Association and its members; and
- (d) any other information which a reasonable person would consider important in deciding whether to vote for approval of a proposal to sell, lease or otherwise dispose of the property of the Association.

**Section 10.05. Competing Bid Disclosures.** Any competing bids given to the Association members of the proposed purchase shall include any other offers to purchase received from any lender of the Association or any generation and transmission association of which the Association is a member and shall include the terms of the offer and such other information as the lender or generation and transmission association may request to be transmitted to the members and which is material to the future generation of the assets to be purchased.

**Section 10.06 Effect of Noncompliance.** Any sale, lease or other disposition of the property of the Association that is not effected in strict compliance with the provisions of Section 77-5-237, Mississippi Code (1972) and the provisions of Section 10.03 and 8.02(e) of these bylaws shall be void. Any purchaser or Affiliate of a Purchaser which in providing the disclosure required by Section 10.03, 10.04 and 10.05, or in any other communication with the members of the Association, written or oral, makes false or misleading statements concerning material facts or omits information necessary to make the information disclosed not misleading shall be liable to the Association and its



members for any damages incurred thereby, including, but not limited to, the difference in the consideration paid for the property of the Association by the Purchaser and the fair value of such property and any increases paid or to be paid in the future for electricity by the members of the Association.

**Section 10.07. Non-application to Consolidation.** The provisions of Article 10 do not apply to the consolidation of associations effectuated pursuant to Section 77-5-217, Mississippi Code.

**Section 10.08. Severability.** If any section of Article 10, or any provision thereof, is determined by any court to be invalid, such invalidity shall not affect the validity of the other sections or provisions of this Article.

#### **ARTICLE XI MISCELLANEOUS**

**Section 11.01. Membership in Other Organizations.** The Association may become a member of any and all other organizations as two-thirds (2/3) the Board of Directors may determine shall be to the best interest of the Association, and the directors shall have full power and authority to authorize the Association to purchase stock in or to become a member of any corporation or association organized on a nonprofit basis for the purpose of engaging in rural electrification, industrial or economic development, or other worthwhile non-profit endeavors. The directors shall also have full power and authority to subscribe for and on behalf of the Association, on an annual basis or otherwise to "Today in Mississippi" and to any and all other publications as may be determined by the directors, and payment for such publication subscriptions shall be made of and from funds accruing in each member's favor.

The Association may make contributions to non-profit, charitable or civic organizations or drives, and the Board of Directors may, by resolution or order, authorize directors, and payment for such publication subscriptions shall be made of and from funds accruing in each member's favor.

The Association may make contributions to non-profit, charitable or civic organizations or drives, and the Board of Directors may, by resolution or order, authorize the General Manager to act for the Association in this regard.

**Section 11.02. Waiver of Notice.** Any member or director may waive, in writing, any notice required to be given by these bylaws, and such waiver may be executed either prior to or on the date of the meeting. In case of a joint membership, a waiver or notice signed by either spouse shall be deemed a waiver of notice of such meeting by both joint members.

**Section 11.03. Fiscal Year.** The fiscal year of the Association shall begin on the first day of January of each year and end on the last day of December of the same year.

**Section 11.04. Seal.** The corporate seal of the Association shall be in the form of a circle and thereon shall be inscribed the name of the Association and the words "Corporate Seal, Mississippi".

**Section 11.05. ALTERNATIVE DISPUTE RESOLUTION. UNLESS OTHERWISE PROHIBITED BY LAW, ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THESE BYLAWS, OR THE BREACH THEREOF, OR ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO PATRONAGE CAPITAL SHALL BE RESOLVED BY BINDING ARBITRATION ADMINISTERED BY THE AMERICAN**

ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS ARBITRATION RULES AFTER ALL CONDITIONS PRECEDENT AS SET FORTH IN ARTICLE VIII, SECTION 8.01, IF APPLICABLE, HAVE BEEN MET. THIS AGREEMENT INVOLVES INTERSTATE COMMERCE SUCH THAT THE FEDERAL ARBITRATION ACT, 9 U.S.C. § 1, *ET SEQ.* SHALL GOVERN THE INTERPRETATION AND ENFORCEMENT OF THIS ARBITRATION AGREEMENT. THE ARBITRATION SHALL BE HELD IN THE STATE OF MISSISSIPPI AT A LOCATION TO BE DESIGNATED BY THE PARTY NOT MAKING THE INITIAL DEMAND FOR ARBITRATION. A JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR SHALL BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF.

THE PARTIES ALSO AGREE TO (I) WAIVE ANY RIGHT TO PURSUE A CLASS ACTION ARBITRATION, OR (II) TO HAVE AN ARBITRATION UNDER THIS AGREEMENT CONSOLIDATED OR DETERMINED AS PART OF ANY OTHER ARBITRATION OR PROCEEDING. THE PARTIES AGREE THAT ANY DISPUTE TO ARBITRATE MUST BE BROUGHT IN AN INDIVIDUAL CAPACITY, AND NOT AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE CAPACITY. IF ANY PART OF THIS ARBITRATION CLAUSE, OTHER THAN WAIVERS OF CLASS ACTION RIGHTS, IS FOUND TO BE UNENFORCEABLE FOR ANY REASON, THE REMAINING PROVISIONS SHALL REMAIN ENFORCEABLE. IF A WAIVER OF CLASS ACTION AND CONSOLIDATION RIGHTS IS FOUND UNENFORCEABLE IN ANY ACTION IN WHICH CLASS ACTION REMEDIES HAVE BEEN SOUGHT, THIS ENTIRE ARBITRATION CLAUSE SHALL BE DEEMED UNENFORCEABLE. IT IS THE INTENTION AND AGREEMENT OF THE PARTIES NOT TO ARBITRATE CLASS ACTIONS OR TO HAVE CONSOLIDATED ARBITRATION PROCEEDINGS. SHOULD THE PARTIES HAVE A DISPUTE THAT IS WITHIN THE JURISDICTION OF THE JUSTICE COURTS OF THE STATE OF MISSISSIPPI, SUCH DISPUTE MAY BE RESOLVED AT THE ELECTION OF EITHER PARTY IN JUSTICE COURT RATHER THAN THROUGH ARBITRATION.

IF THE ARBITRATION CLAUSE IS DEEMED UNENFORCEABLE OR THE PARTIES OTHERWISE LITIGATE A DISPUTE IN COURT, THE PARTIES AGREE TO WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY PROCEEDING BROUGHT IN COURT.

**Section 11.06. Amendments.** These bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3) of all the Directors. This may be done at any regular meeting or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

**Section 11.07. Robert's Rules of Order.** Parliamentary procedure shall be governed by the most recent edition of Robert's Rules of Order at all Association meetings, including committee meetings which may be duly established by the Board of Directors except to the extent such procedure is otherwise determined by law or by the Association's Certificate of Incorporation or these bylaws.