



ARKANSAS ELECTRIC COOPERATIVES, INC.

Reliable · Affordable · Responsible

Effective January 01, 2017

OUTSIDE COUNSEL STANDARD TERMS AND CONDITIONS

Arkansas Electric Cooperatives, Inc. (AECI) provides electrical equipment and other needed material and support services for the construction and maintenance of electric distribution and transmission systems. In order to effectively fulfill this role, AECI relies upon contributions from both inside and outside legal counsel. In those instances where AECI retains Outside Counsel (OC)¹, AECI seeks to ensure the highest quality legal representation is retained while engaging in effective supervision and cost controls.

These Outside Counsel Terms and Conditions (Agreement) applies to OC representing or advising AECI, including any employee of AECI in his/her official capacity, board or board member of AECI in his/her official capacity, subsidiary of AECI, or any other AECI-owned entity (collectively referred to as AECI). This Agreement is effective for all work performed beginning on or after January 1, 2017, until such time as this Agreement is revised. This Agreement supersedes any previously-issued policies, retention agreements, or oral representations pertaining to outside legal representation of AECI's interests. OC shall inform all attorneys, senior managers and billing team members working on AECI matters of this Agreement and shall ensure their compliance.

BY ACCEPTING NEW OR CONTINUING REPRESENTATION OF AECI, OC SHALL BE DEEMED TO HAVE (A) FAMILIARIZED HIM/HERSELF WITH THIS AGREEMENT AND (B) AGREED TO ADHERE TO THIS AGREEMENT IN ALL RESPECTS.

ARTICLE I FORMATION

1. Offer. Any engagement letter we issue is our offer and is subject to the terms and conditions of this Agreement. Our issuance of an engagement letter is not an acceptance of any offer you have provided to us.

2. Acceptance. Acceptance by you of our engagement letter may be expressed, or implied from any conduct by you recognizing the existence of a contract pertaining to the subject matter of the engagement letter, including but not limited to any compliance by you with any term and/or condition of this Agreement. Your acceptance of an engagement letter will constitute your acceptance of the engagement letter **and** this Agreement. Any terms or conditions proposed in your acceptance of an engagement letter that add to, vary from or conflict with any of the terms and conditions of this Agreement are deemed material and are hereby rejected. If an engagement letter offered by us is deemed an acceptance of your prior offer, then our issuance of such engagement letter will constitute an acceptance of such offer subject to the express condition that you agree to the terms and conditions of this Agreement that are additional to or different from any terms and conditions in your offer.

3. Entire Agreement. You acknowledge that except as otherwise provided in this Agreement, an engagement letter, together with this Agreement, constitutes the entire agreement between us with respect to the subject matter of an engagement letter.

¹ As used herein and throughout this Agreement, the terms "Outside Counsel," "OC," and/or "Team Member(s)" shall include any member, employee, contractor, or affiliate of Outside Counsel's firm, including the outside lead attorney, as well as any other person identified to AECI pursuant to Article III, Section 2 of of this Agreement.

4. Conflict. In the event of a conflict between an engagement letter and this Agreement, this Agreement shall control.

ARTICLE II RETENTION OF OUTSIDE COUNSEL

AECI retention of OC shall only occur by an engagement letter issued by AECI's General Counsel (GC), or his/her designee, which may be delivered in electronic form. Once an engagement letter is signed by both parties, the terms of this Agreement shall apply throughout the entirety of the engagement.

ARTICLE III REPRESENTATION AND SCOPE

1. Primary Contact. Unless instructed otherwise in writing from the GC, OC shall communicate directly with the Lead Inside Counsel (LIC) at the beginning of the representation on each matter or proceeding. As needed, the LIC shall: (1) direct the representation; (2) serve as the liaison between OC and AECI personnel; and (3) ensure that appropriate AECI personnel are informed about and make the necessary substantive decisions required in connection with OC's representation.

2. Staffing. Upon retention, OC shall submit in writing for preapproval a lead OC, as well as any other professional, staff member, contractor, consultant, expert, or vendor that will be handling AECI's representation for the relevant matter (collectively referred to as Team Members). Team Members shall: (1) have a developed knowledge of AECI or, at a minimum, a developed knowledge of regulated public utilities, including electric cooperative utilities; (2) have appropriate subject matter expertise; (3) be assigned matters appropriate for their position; and (4) absent extraordinary circumstances, be able to provide continuous representation throughout the duration of the retention. At the request of OC, Additional Team Members may be added during the retention with AECI's written consent.

3. Decision Making, Timing and Approval. All strategic, tactical, staffing and significant resource allocation decisions concerning AECI's representation shall be made in collaboration with the LIC and the affected AECI Division Vice President(s).² OC shall keep LIC regularly informed of any significant decision that must be made or deadline that must be met and ensure LIC is notified sufficiently in advance of any important decisions or deadlines. Documents prepared for service or filing, or documents that will be provided to third parties on AECI's behalf, shall be sent to the LIC with enough time for AECI to adequately review and approve such documents. Substantive briefs or testimony shall be submitted at least one week in advance of filing, and only in exceptional circumstances should the lead time for any non-urgent matter be less than three (3) business days.

- a. Settlement Authority.** OC shall have no settlement authority unless and until such authority is explicitly conferred in writing by LIC. OC shall not pursue formal or informal settlement discussions without LIC's approval. OC shall immediately notify LIC of any settlement proposal offered by the opposing party or counsel.
- b. Ownership, Use of Information, Proprietary or Otherwise.** All materials in any form (written, graphic, electronically stored or other) generated or prepared in the course of representing AECI and all copyrights therein shall belong to AECI. By accepting retention, OC agrees to assign all right, title, interest and copyrights, as applicable, in all such materials to AECI and agrees to execute all documents necessary for AECI to perfect its ownership and copyright interests.
- c. Budgets.** When requested, or when professional fees are expected to exceed \$25,000, on any given matter, OC shall submit a budget for approval that addresses the total estimate of projected fees and expenses for the duration of the retention. OC shall charge fees and expenses that are consistent with task-based budgets and shall seek AECI's approval prior to incurring any unbudgeted fees.

² Vice President is defined as the relevant Divisional Vice President(s) and/or the Vice President's designee.

- d. Technology.** OC shall use software and technology compatible with AECI's technology and systems. AECI will not be responsible for any costs associated with OC's purchase or installation of hardware or software for AECI matters. In addition, OC shall provide all documents for review in native file format, e.g. Microsoft Word or Excel.
- e. Media Relations and Advertising.** **AECI DOES NOT AUTHORIZE OC TO COMMENT PUBLICLY IN ANY MANNER ON ANY ASPECT OF AECI'S LEGAL MATTERS.** All media inquiries relating to AECI should be referred promptly to the Vice President of Public Affairs. This lack of authorization includes even "no comment" or other non-substantive responses. If time is of the essence and the LIC cannot be reached, OC shall contact the GC. AECI does not permit OC to advertise or promote their relationship with AECI, other than by listing AECI as a representative client.
- f. Good Business Practices and Conflicts of Interest.** OC shall use good business practices and comply with the rules of ethics and professional conduct. If requested by AECI, OC shall provide evidence of such practice and compliance in the following areas: (1) Protection of AECI's confidential and/or proprietary information; (2) File retention; (3) Malpractice insurance; and (4) Conflicts of interest identification and prevention. In the instance of a conflict of interest or a potential conflict of interest, OC shall notify the LIC immediately. The LIC and the GC may waive such conflict in writing.

ARTICLE IV INVOICING

OC must submit monthly invoices within thirty days of the conclusion of the billing period, in a format of OC's choosing but consistent with the billing practices of this Agreement. At a minimum, invoices must include: a detail of fees broken down by each Team Member, including the number or increments of hours spent by task, per matter; a description of the services rendered; the relevant AECI personnel with whom contact was made; and a list of reimbursable expenses by category. AECI will remit payment for all non-disputed invoices within thirty (30) days of receipt. AECI reserves the right to deduct rates, fees, and charges that are inconsistent with this Agreement. If a deduction is made, the invoice shall be returned to OC. If OC wishes for AECI to reconsider the deductions, OC may request reconsideration within 30 calendar days from the date the invoice is returned. On the 31st day after the reduced invoice is returned to OC, AECI shall consider the deductions final. Where AECI and OC discuss deductions, AECI will ask OC to resubmit a new invoice reflecting the agreed amounts.

ARTICLE V RATES, FEES AND CHARGES

1. Retained Work. AECI shall only pay for actual services retained and rendered, at rates established by the engagement letter in effect at the time of billing. Unless GC otherwise agrees in writing, billable rates will remain fixed for the duration of retention for a particular docket or matter. Time shall be billed in 0.1 hour increments and on a per-task basis. Team Member fees shall be computed by applying the negotiated hourly rate to the time for the services expended. Hours shown shall accurately reflect the time spent on the described activity and shall either be the exact amount of time or the exact time rounded down to the nearest one-tenth of an hour. AECI will not accept block billing—grouping multiple activities under a single time charge. AECI will not pay for any time recorded in a block fashion.

2. Non-Retained Work. OC shall not bill time, and AECI shall not pay for work that is not subject to a docket-specific or matter-specific engagement letter.

3. Monitoring and Solicitation. Unless GC provides a written agreement stating otherwise, AECI shall not pay for any time billed by OC for actively monitoring legislation, or docket or case filings that the GC has not specifically retained OC to monitor. Should OC unilaterally monitor such matters and the GC

subsequently retain OC as a result of such monitoring, the GC and OC shall negotiate a reasonable flat fee for OC's pre-engagement work prior to retention.

4. Non-billable Work.

- a. Non-Commensurate Work.** Work tasks shall be commensurate to the skill and training of the assigned Team Member. AECI shall not pay for time billed by senior Team Members to perform tasks that could and should have been handled by junior Team Members, or other non-attorney Team Members. If the LIC determines that an assignment is inappropriate for particular tasks performed, the hourly rate charged may be reduced to a rate consistent with that of the lower-rate Team Member. Similarly, if the LIC determines that excessive time was spent on a particular task, the time billed may be reduced.
- b. Continuity.** AECI shall not pay for any time billed that resulted from the substitution or training of new Team Members.
- c. Duplication.** Duplicative document review/editing, research and drafting shall be avoided. AECI will not pay for time that the LIC determines is duplicative.
- d. Excess Attendance.** Unless preapproved by the LIC, AECI shall only pay for the attendance and/or participation of one Team Member, for calls, meetings, depositions, negotiations, mediations, arbitrations, hearings, or other matters.
- e. Legal Research.** All non-incident legal research shall be preapproved by LIC. AECI shall not pay for time billed for basic legal research, or for research previously generated for AECI. Legal research shall be conducted and billed by junior Team Members or non-attorney Team Members. If legal research benefits other clients, only the proportionate share of that cost shall be billed to AECI.
- f. Internal Conferencing.** AECI shall only pay for reasonable internal conferencing. Internal conferencing exceeding 10% of the total billings over the span of one month or for a particular representation shall not be billable and will not be paid, if billed.
- g. Per Day Cap.** Absent prior consent, AECI shall not pay for more than ten (10) hours of time by a single Team Member in a single day.
- h. Standby.** AECI shall not pay for time billed on "standby," without advance approval of the LIC.

5. Out-of-pocket costs.

- a. General.** AECI shall reimburse OC for actually incurred, reasonable out-of-pocket costs to the extent those cost are directly related to AECI business and provided there is a receipt for all charges in excess of \$25.00. OC's reimbursement request for such costs should reflect the actual cost and shall not include any markup. AECI may refuse to pay for costs billed as "miscellaneous," billed in a group (e.g., Travel Expenses - \$4,000.00) or costs without descriptions or explanations.
- b. Travel Expenses.** For travel mandated by AECI business, AECI will reimburse only for reasonable, actual airfare and airline baggage fees, ground transportation from/to the airport, hotel accommodations and the cost of meals, as more fully described herein. All air travel shall be booked at the lowest logical fare routing and economy class; travel upgrades are at the traveler's own expense. AECI will not reimburse the use of private aircraft or non-approved charter aircraft. OC shall use good judgment in selecting hotels and restaurants and incurring travel-related expenses. AECI will reimburse for reasonable business-related meal expenses, accompanied by an original receipt. AECI shall reimburse the actual costs of taxicab, train or bus travel, or tolls, parking

charges, and mileage expense³ in excess of 30 miles one-way for personal car use, if necessitated by AECI business. AECI shall not reimburse for, among other things, incidental travel fees such as recreation/salon/spa charges, personal entertainment, travel agency expenses, etc. AECI shall not pay for travel time.

- c. Administrative Cost and Overhead.** AECI shall not pay administrative costs and overhead that are already built into and a part of OC's rates, including, but not limited to: (1) Rent/Mortgage, including temporary office space; (2) Cost or usage of computers, mobile devices, internet and/or other communication services; (3) Equipment rental; (4) Storage charges; (5) Catering for internal meetings; (6) Maintaining internal databases; (7) Mileage for trips less than 30 miles one way; (8) Bates stamping; (9) Telephone or facsimile charges; (10) Billing inquiries; (11) Opening and closing files; (12) Internal filing; (13) Secretarial services (including overtime charges); (14) Word processing or proofreading; (15) Maintenance of a calendar or tickler system; (16) Investigating potential conflicts; (17) Indexing pleadings; (18) Budget preparation; (19) Library usage (including book purchases or subscriptions) or library staff time; (20) Westlaw, Lexus, PACER or other online services; (21) Office supplies; (22) Conference room charges; (23) Allocated charges from a blanket service agreement; (24) Scheduling meetings or travel arrangements; (25) Billing audits; (26) time billed for copying, scanning, digital impression or related duplication costs; and (27) any other matter reasonably considered to be the cost of doing business as a law firm.
- d. Budgeted Matters.** In instances where a budget is requested or required under this Agreement, AECI shall not pay for any fee, rate or charge unbudgeted, in excess of budget, or associated with the preparation or consultation of a budget.

ARTICLE X MISCELLANEOUS

1. Noncompliance. Failure to comply with this Agreement may result in: (a) a denial of a request to represent AECI; (b) termination of legal services; (c) disallowance in whole or in part of fees for services rendered (including for failure to comply with the billing requirements provided herein); or (d) other action, including referral to the appropriate attorney licensing authority. The rights and remedies reserved by us in this Agreement will be cumulative and in addition to any other rights or remedies provided by law or equity.

2. Exceptions to this Agreement. Except with regard to billing, the LIC shall have the authority to modify or waive this Agreement during the conduct of a matter. If an exception to the billing aspects of this Agreement is deemed necessary by OC, a request must be submitted and approval must be obtained in writing from the GC. AECI will not reimburse OC for any rates, fees, or expenses incurred in violation of this Agreement. A waiver of any right or remedy will not affect any right or remedy subsequently arising under the same or similar clauses. A waiver of nonperformance under this Agreement must be in writing and will apply only to the specific instance addressed in the waiver and to no other past or future nonperformance.

3. Dispute Resolution. An attempt to resolve any dispute, claim or controversy arising out of these Terms and/or the Agreement must first be made, in good faith, between the GC, and an executive of OC's firm, by phone or in person. If such attempt fails, then the dispute, claim or controversy shall be submitted to mediation. If mediation fails, then final resolution of any dispute, claim or controversy arising out of this Agreement shall be made before a court of law in the State of Arkansas, Pulaski County. Each party shall bear its own costs, fees and expenses (including attorney fees) during and for any dispute resolution, unless otherwise provided herein.

³ Mileage expense shall be determined and reimbursed in accordance with the most recent standard mileage rate published by the IRS.

4. Governing Law/Jurisdiction. These Terms and/or the Agreement will be construed and interpreted according to the laws of the State of Arkansas, without regard to the laws regarding conflicts of laws. The United Nations Convention on Contracts for the International Sale of Goods shall not apply.

10. Assignment. This Agreement may not be assigned or delegated without AECI's written consent. Any such assignment or delegation will, at AECI's option, be deemed a cancellation of such Agreement.