

Brown County Rural Electrical Association

Sleepy Eye, MN

Articles of Incorporation and By-Laws

as approved on March 27, 2004

Articles of Incorporation for the Brown County Rural Electrical Association

We, the undersigned persons of full age, acting for ourselves as individuals, for the purpose of forming a co-operative association under and pursuant to the provisions of Chapter 326, Laws of Minnesota 1923, and laws amendatory thereof and supplementary thereto, do hereby associate ourselves as a body corporate and adopt the following Articles of Incorporation:

ARTICLE I

Section 1. The name of this Association shall be Brown County Rural Electrical Association.

Section 2. The conduct of the business of this Association shall be upon the cooperative plan and the general nature of its business and the purpose or purposes for which it is formed are:

(a) To generate, manufacture, purchase, acquire, and accumulate electric energy for its members and to transmit, distribute, furnish, sell and dispose of such electric energy to its members; and to construct, erect, purchase, lease, and in any manner, acquire, own, hold, maintain, operate, sell, dispose of, lease, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any of the foregoing purposes, including the right to join in an Association with other Rural Electrical Cooperatives to carry in to effect the foregoing purposes;

(b) To assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any kind and character and, in connection therewith and for such purposes, to purchase, acquire, lease, sell, distribute, install and repair electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character and to receive, acquire, endorse, pledge, hypothecate and dispose of notes and other evidences of indebtedness; and to encourage and assist individuals and/or entities in activity deemed to benefit the economic well-being of the area served by the association; and to undertake and carry on, alone or with others, activity deemed to provide a benefit or service to its members and/or the area served by the association;

(c) To acquire, own, hold, use, exercise, and, to the extent permitted by law to sell, mortgage, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, right-of-way and easements necessary, useful or appropriate any or all of the purposes of this Association;

(d) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, sell, exchange and use any and all real and personal property or any interest therein necessary, useful, or appropriate to enable this Association to accomplish any and all of its purposes;

(e) To borrow money and otherwise contract indebtedness for the purposes, or any of them, for which this Association is formed, and to issue notes, bonds and other evidences of indebtedness, and to secure any of its obligations by mortgage, pledge, or deed of trust of all or any of its property, assets, franchises and income;

(f) To sell and convey, mortgage, pledge, lease as lessor and otherwise dispose of all or any part of its property and assets; provided, however, that if the association desires to sell more than twenty-five percent (25%) thereof it shall be done in accordance with any provisions in the By-Laws relating thereto;

(g) To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes, or as may be permitted by the Act under which this Association is formed; provided, however, that the conduct of the business of

this Association shall be upon the cooperative plan.

The enumeration of the foregoing powers shall not be held limit or restrict in any manner the general power of this Association, and this Association shall be authorized to exercise and enjoy all of the powers, rights, and privileges granted to or conferred upon associations of the character of this Association by the laws of the State of Minnesota now or hereafter in force.

Section 3. The principal place of transacting the business of this Association shall be in the Home Township, County of Brown, State of Minnesota, with mailing address of Sleepy Eye, Minnesota.

ARTICLE II

The period of duration of this Association shall be perpetual.

ARTICLE III

Section 1. The amount of the authorized capital stock of this Association shall be Twenty-five Thousand Dollars (\$25,000.00) divided into five thousand (5,000) shares of the par value of Five Dollars (\$5.00) each. The share of the authorized capital stock may be issued from time-to-time and shall be paid for at such time or times and in such manner as the Board of Directors of this Association shall determine; provided, however, that no share be issued for less than par value nor until the same has been paid for in full in cash or its equivalent and such payment has been deposited with the treasurer of this Association.

Section 2. The ownership of the capital stock of this Association by any individual stockholder shall not exceed the par value of Five and no/100 Dollars (\$5.00).

Section 3. Individual stockholders shall have only one vote in the affairs of this Association and the shares of stock of this Association shall not be transferable except with the approval and consent of the Board of Directors of this Association.

Section 4. No interest or dividends shall be paid upon any of the capital stock issued by this Association.

Section 5. The Association shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons with amounts received in excess of expenses being distributed on the basis of patronage in accordance with the By-Laws. No interest or dividends shall be paid or payable by the Association on any capital furnished by its patrons.

ARTICLE IV

The names and places of residence of the incorporators of this Association are:

Name	Township	Post Office
Edmund Lebert	Home	Sleepy Eye, MN
Robert Runck	Milford	New Ulm, MN
Joseph Mathiowetz	Eden	Sleepy Eye, MN
Herman Reinarts	Sigel	New Ulm, MN
Arthur Zschetsche	Leavenworth	Sleepy Eye, MN
Albert Anderson	Burnstown	Springfield, MN
Arthur M. Walser	West Newton	New Ulm, MN
Carl Olstad	Lake Hanska	Hanska, MN
George Brudelic	Lake Hanska	Hanska, MN

ARTICLE V

Section 1. The Government of this Association and the management of its affairs and business shall be vested in a Board of Directors consisting of nine (9) members who shall be elected by ballot by the stockholders for such terms as the By-Laws may prescribe at the annual meeting of the stockholders which shall be held during the months of

February, March or April of each year and on such date during February, March or April as may be designated by the Board of Directors. Said meeting shall be held at such time as may be determined by the directors and designated in the Notice of Meeting.

Section 2. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with these Articles of Incorporation or the By-Laws of this Association or the laws of the State of Minnesota, as it may deem advisable for the management, administration and regulations of the business and affairs of this Association.

ARTICLE VI

Section 1. The By-Laws of this Association may define and fix the duties, responsibilities, and eligibility of the stockholders or members, officers, and directors and may also contain any other provision for the regulation of the business and affairs of this Association or Cooperative not inconsistent with these Articles of Incorporation or the laws of the State of Minnesota.

ARTICLE VII

The fiscal year of this Association shall begin on the first day of January in each year and end on the last day of December in the same year.

ARTICLE VIII

To the fullest extent permitted by laws governing cooperative associations, as the same exist or may hereafter be amended, a director of this Association shall not be personally liable to the Association or its members for monetary damages for breach of fiduciary duty as a director.

ARTICLE IX

This Association reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by law.

By-Laws for the Brown County Rural Electrical Association

ARTICLE I Members

Section 1. Eligibility. Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision or agency thereof, or body politic (each hereinafter referred to as “person”, “applicant”, “him”, or “her”) shall be eligible to become a member of this Cooperative (also known as the “Association”) and to receive electric service from the Cooperative at one or more premises owned, occupied, or used by the member; but no person shall hold more than one membership in the Cooperative.

Section 2. Application. Application for membership shall be made in writing on such form or forms as are provided therefore by the Cooperative and shall be accompanied by the membership fee and any other fees required by the Cooperative as provided for in Section Four (4) and, when required by the Cooperative, by a supplemental contract executed by the applicant on such form as is provided therefore by the Cooperative.

Section 3. Acceptance. Upon complying with the requirements set forth in this and the next following section, any applicant shall by Board resolution be accepted into membership in the Cooperative, unless the Board of Directors shall determine that the applicant is not willing or is not able to satisfy and abide by the Cooperative’s terms and conditions of membership or that such application should be rejected for other good cause. Any person whose application, for 60 days or longer, has been submitted to but not approved by the Board of Directors may, by filing a written request therefore with the Cooperative at least 30 days prior to the next meeting of the member, have the application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

Section 4. Membership Fee. The par value of a share of stock (herein also called the “membership fee”) shall be Five Dollars (\$5.00); and payment to the Cooperative of the membership fee shall make a member eligible for service. An additional fee, as fixed from time-to-time by the Board of Directors, shall be paid for each service connection requested by a member, but no share of stock may be issued for such additional fees.

Section 5. Obligations. The member agrees and is obligated as follows:

- (a) To purchase from the Cooperative all electric energy purchased for use on the premises specified in the member’s application for membership or request for service after such electric energy will have become available for use. The Cooperative cannot and does not guarantee a continuous and uninterrupted supply of electric energy to the member and may limit time amount of electric energy which the Cooperative shall be required to furnish to any one member. The Cooperative shall purchase alternate energy from various sources as required by law.
- (b) To pay all obligations owing to this Cooperative as and when the same become due, including, without limitation, any service security deposits, initiation fees, service connection deposits or fees, facilities extension deposits, or contributions in aid of construction that may be required by the Cooperative and all electric energy purchased from the Cooperative according to rate schedules established from time-to-time by the Board of Directors. When a member has more than one service connection from the Cooperative, any payment by the member for services from the Cooperative shall be deemed to be allocated and credited on a pro rata basis to the member’s outstanding accounts for all such service connections, notwithstanding that the Cooperative’s actual accounting procedures do not reflect such allocation or prorating.
- (c) To execute and deliver to the Cooperative, when requested to do so by the Cooperative, grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Cooperative shall require for the furnishing of electric service to the member or other members or for the construction, operation, maintenance or relocation of the Cooperative’s electric facilities.

- (d) To participate in any required program that maybe established by the Cooperative to enhance load management, to more efficiently utilize or conserve electric energy, or to conduct load research.
- (e) To comply with such rules and regulations as may from time-to-time be adopted by the Board of Directors of the Cooperative.

Section 6. Joint Memberships. Any two or more natural persons, by specifically so requesting in writing, may be accepted into membership as joint tenants, or, if one of them is already a member, may automatically convert such membership into a membership in joint tenancy. All provisions relating to the rights, power, terms, conditions, obligations, responsibilities, and liabilities of membership shall apply equally, severally and jointly to each natural person holding a joint membership. Without limiting the generality of the foregoing:

- (a) the presence of any joint tenant member at a meeting shall constitute the presence of that membership and a joint waiver of notice of time meeting;
- (b) the vote of one or more joint tenants shall constitute one joint vote;
- (c) notice to, or waiver of notice signed by, any one joint member shall constitute a joint notice or waiver of notice for that joint membership;
- (d) suspension or termination in any manner of one joint tenant shall constitute suspension or termination of the joint membership;
- (e) only one joint tenant representing a joint tenancy membership shall be eligible to serve as director of the Cooperative, but only if all other joint tenants of that joint membership otherwise meet the qualifications of directorship; and
- (f) no joint tenant will be permitted to have any additional service connections except through the one joint membership.

Section 7. Forfeiture of Membership. The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member and cause the member's stock certificate, if any, and membership in the Cooperative to be forfeited and surrendered if such member shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these By-Laws or rules or regulations adopted from time-to-time by the Board of Directors, in which case the Cooperative shall make such refunds as required by law. Stock so forfeited shall be retired and cancelled by the Board of Directors and any such member shall thereafter have no rights, privileges or benefits in this Cooperative unless and until such member is reinstated by the Board of Directors or by a vote of the members at any annual or special meeting of the members.

Section 8. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 9. Transfer and Termination of Membership. Membership in the Cooperative and any certificate representing the same shall be transferable only with the approval and consent of the Board of Directors except as hereinafter otherwise provided. The Cooperative shall have the first right and privilege of purchasing any certificate of membership offered for sale by any member. Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate; and any certificate of membership of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Cooperative.

When a membership is held in joint tenancy, upon the death of any joint tenant such membership shall be deemed to be held by the survivor or survivors with the same effects as though such membership had been originally issued to the survivor or survivors, as the case may be; and any joint membership certificate may be surrendered and reissued to and in the name of such survivor or survivors; provided, that the estate of the deceased joint tenant shall not be

released from any membership debts or liabilities to the Cooperative. Upon the legal separation or termination of the marriage relationship of a husband and wife owning a membership as joint tenants, such membership shall continue to be held solely by the one who continues directly to occupy or use 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 Cooperative.

Section 10. Removal of Director and Officers. The members shall have the power to remove any director or officer for cause. Any member may bring charges against an officer or director by filing such charges in writing with the Secretary together with a petition signed by not less than twenty percent (20%) of the total membership of the Cooperative, requesting removal of the officer or director in question. The petition shall be signed by each member in the same name as the member is billed by the Cooperative and shall state the signatory's address as the same appears on such billings. Such charges must be filed at least twenty-five (25) days before an annual meeting and in the manner prescribed by law for a special meeting.

The Secretary shall immediately inform the officer or director against whom such charges have been brought in writing of such charges. At the meeting at which the charges are to be heard and acted upon, such officer or director shall have the right to counsel, to be heard in person or by witnesses or counsel or any combination of such, and to present evidence in respect to the charges; and the member or members bringing such charges shall have the same rights, but must be heard first.

The question of the removal of such officer or director shall be considered and voted upon at such meeting, and any vacancy created by such removal may be filled by the members at such meeting.

ARTICLE II

Meetings of Members

Section 1. Annual Meeting. The annual meeting of the members shall be held during the months of February, March or April of each year at such place and time as the Board of Directors may by resolution determine prior to the issuance of the notice of the meeting, for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting.

Section 2. Notice of Annual Meeting. Notice of the annual meeting shall be given by the Secretary by publication in a legal newspaper or newspapers published or circulated in the counties where the Cooperative operates, or by publication in a magazine, periodical or house organ regularly published by or on behalf of the Cooperative and circulated generally among its members, at least fifteen (15) days previous to the date of such meeting, or by mailing notice thereof to each and every member personally not less than fifteen (15) days previous to the date of such meeting.

Section 3. Special Meetings. Special meetings of the members may be called by a majority vote of the directors or upon a written petition signed by at least twenty per centum (20%) of all the members.

Section 4. Notice of Special Meeting. It shall be the duty of the President to cause the Secretary to give notice of the time, place and purpose of a special meeting, either by publication in a legal newspaper or newspapers published or circulated in the counties where the Cooperative operates, or by publication in a magazine, periodical or house organ regularly published by or on behalf of the Cooperative and circulated generally among its members, at least fifteen (15) days previous to the date of such meeting or by mailing notice thereof to each and every member personally not less than fifteen (15) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage thereon prepaid. Such notice shall be issued within ten (10) days from and after the date of the presentation of the written petition mentioned in Section 3 of this Article II, and such special meeting shall be held within thirty (30) days from and after the date of the presentation of such petition. 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 annual or special meeting.

Section 5. Quorum. At least twenty percent (20%) of the total number of members present in person shall constitute a quorum for the transaction of business at all meetings of the members, so long as the total number of members does not exceed two hundred (200). In case the total number of members exceeds two hundred (200), not less than fifty (50) members, present in person, shall constitute a quorum for the transaction of business at all meetings of the members. If an insufficient number of members is present to constitute a quorum, a majority of the members present may adjourn the meeting from time-to-time provided that a reasonable notice is given to the members specifying the time and place of such adjourned meeting.

Section 6. Establishment of a Quorum. The attendance of a sufficient number of members to constitute a quorum at any meeting of the members shall be established by a registration of the members present at such meeting, such registration shall be verified by the President and Secretary and shall be reported in the minutes of such meeting.

Section 7. Voting. Voting in this Association shall be as follows:

- (a) Each member shall have only one vote in the affairs of this Association. All questions shall be decided by a majority of the members voting thereon at such meeting in person or by mail vote, except as otherwise provided by law, the Articles of Incorporation, or By-Laws of the Association.
- (b) There shall be no voting by proxy, except that whenever a vote of members is required or provided for on any matter, the spouse of the member may vote on behalf of the member unless the member has indicated otherwise to the Association.
- (c) Any member may vote by mail, on the ballot herein prescribed, upon any motion, resolution, or amendment that the Board of Directors may, in its discretion, submit to the members for a mail vote. The ballot may be in the form prescribed by the Board of Directors and shall contain or be accompanied by the exact text of the proposed motion, resolution, or amendment to be voted upon and spaces in which such member may indicate an affirmative or negative vote thereon. The member shall express a choice by a mark in the appropriate space upon such ballot. The member shall mail or deliver the ballot to the Association, or to a place designated by the Association, in a sealed plain envelope inside another envelope bearing the member's name. If the ballot is received by the Association on or before the date of the meeting, the ballot shall be accepted and counted as the ballot of the absent member. The Association shall notify members of the date by which any mailed ballots must be received to be counted.
- (d) Any member may vote electronically for a director or upon any motion, resolution, amendment, or other matter upon which members are entitled to vote as may be permitted by law and as approved by the Board of Directors.

Section 8. Order of Business. The Board shall prepare an agenda and order of business for member meetings.

ARTICLE III Directors

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of nine (9) directors, which shall exercise all of the power of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these By-Laws conferred upon or reserved to the members.

Section 2. Qualifications and Tenure. Each director shall be a member of the Cooperative and shall be elected by the members at the annual meeting of the members for a three-year term as hereafter provided. The nominee receiving the highest number of votes cast shall be elected, and in the case of a tie vote, the winner shall be determined by a flip of a coin. The consumer territory of the Cooperative shall be divided into nine (9) districts and there shall be one (1) director residing in each of said nine (9) districts and who must also reside within the Cooperative's service area. The districts shall be as follows:

	TOWNSHIP	(and)	COUNTY
DISTRICT 1:	Amboy		Cottonwood
	Bashaw		Brown
	Burnstown		Brown
	North Star		Brown
	Stately		Brown
	Brookville		Redwood
	Delton		Cottonwood
	Germantown		Cottonwood

DISTRICT 2:	Albin		Brown
	Mulligan		Brown
	Nelson		Watowan

DISTRICT 3:	Lake Hanska		Brown
	Linden		Brown
	Madelia		Watowan
	Riverdale		Watowan

DISTRICT 4:	Cambria		Blue Earth
	Cottonwood		Brown
	Sigel		Brown

	TOWNSHIP	(and)	COUNTY
DISTRICT 5:	Leavenworth		Brown
	Stark		Brown

DISTRICT 6:	Eden		Brown
	Morgan		Redwood
	Prairieville		Brown

DISTRICT 7:	Home		Brown
	Milford		Brown

DISTRICT 8:	Cairo		Nicollet
	Courtland		Nicollet
	Lafayette		Nicollet
	Ridgely		Nicollet
	Severance		Sibley
	West Newton		Nicollet

DISTRICT 9:	Alfsborg		Sibley
	Bernadotte		Nicollet
	Bismarck		Sibley
	Brighton		Nicollet
	Cornish		Sibley
	Moltke		Sibley

Directors shall be elected at annual meetings in a sequence so that director terms are maintained at three years. No person shall be eligible to become or remain a director of the Cooperative who:

- (a) except as provided for any member which is not a natural person, is not a member in good standing of the Cooperative receiving service at the member's primary residence in the district from which the director is elected;
- (b) within five (5) years preceding a director candidate's nomination was or during service on the Board of Directors is finally adjudged to be guilty of a felony;
- (c) within three (3) years preceding a director candidate's nomination was an employee of the Cooperative;
- (d) is or becomes, or at any time during the five (5) years preceding a director candidate's nomination shall have been, employed by a labor union which represents, or has represented, or has endeavored to represent any employees of the Cooperative;
- (e) is a spouse, co-habitant, child, grandchild, parent, grandparent, brother, sister, whether by blood, or in-law, of an employee of the Cooperative;
- (f) is a person that is a spouse, co-habitant, child, grandchild, parent, grandparent, brother, sister, by blood, or in-law, of a director;
- (g) is in any way employed by or substantially financially interested in an enterprise competing with the Cooperative or any Cooperative-affiliated business;
- (h) is or becomes the full-time employee or agent of, or who is or becomes the full-time employer or principal of, another director; or
- (i) is absent without cause from three (3) or more regular meetings of the Board of Directors during any twelve (12) month period.

Notwithstanding the foregoing, the operating or chief executive of any member in good standing which is not a natural person, or the executive's designee, shall be eligible to become a director from the district in which such member is located, if the executive or such designee (a) is in substantial permanent occupancy, direction, or use of the premises served by the Cooperative, and (b) is a permanent and year-round resident within or in close proximity to an area served by the Cooperative, provided, that no more than one such person may serve on the Board of Directors at the same time.

Section 3. Nominations. It shall be the duty of the Board of Directors to appoint not less than forty-five (45) days before the date of the meeting of the members at which directors are to be elected a committee on nomination in each district from which a director is to be elected for either a regular or an unexpired term, subject to Article I, Section 5, of the By-Laws, which committee for each district shall consist of two or more members who reside in the respective districts. No officer or member of the Board of Directors shall be appointed a member of any district nominating committee. Each nominating committee shall at least thirty-five (35) days before the meeting of the members of the Cooperative nominate at least two (2) candidates for the Board of Directors from the respective districts served by each committee, and shall by the time stated prepare and post at the principal office of the Cooperative a list of the nominations for the director to be chosen from each such district. Any ten (10) or more members residing in any district may make such nominations in writing over their signature for the directors to be chosen from their district, not less than twenty-five (25) days prior to the meeting, and if such nominations are made, the members making them shall at least twenty-five (25) days prior to the meeting submit to the Secretary of the Cooperative the names of such other nominees and the Secretary shall post the same at the same place where the list of nominations made by the various district nominating committees is posted. Further, nominations for the office of director of the Cooperative may be made at the annual meeting of the membership, but must be made by a member residing in the district of the Cooperative for which a director is being elected.

Section 4. Vacancies. Subject to the provisions of these By-Laws with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors and directors thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified. Nevertheless, if a vacancy occurs not more than one hundred twenty (120) days prior to an annual meeting, the Board may leave the vacancy to be filled by the members at the meeting and refer the matter to an appropriate district nominating committee for names to be placed upon the ballot at the annual meeting.

Section 5. Compensation. Directors, as such, shall not receive any salary for their services, but by Resolution of the Board of Directors a fixed sum and expenses may be allowed for attendance at any meeting approved by the Board of Directors. No Board member shall receive compensation for serving the Cooperative in any other capacity unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the Board member shall have been certified by the Board as an emergency measure. Board members may participate in insurance programs authorized by Resolution of the Board.

Section 6. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these By-Laws, as it may deem advisable for the management, administration and regulation of the business affairs of the Cooperative.

Section 7. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system and shall after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit report shall be available to the members.

ARTICLE IV

Meeting of Directors

Section 1. Regular Meetings. Regular Meetings. A regular meeting of the Board of Directors may be held without notice, other than this By-Law, immediately after the annual meeting of the members. Regular meetings of the Board of Directors shall also be held at such time and place as the Board of Directors may provide. Such regular meetings may be held without notice other than a resolution or motion fixing the time and place thereof.

Section 2. Special Meetings. Special Meetings. 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 and means of holding any special meeting of the Board of Directors called by them.

Section 3. Notice. Notice. Notice of the time, place and purpose of any special meeting or any rescheduled meeting shall be given at least two (2) days previous thereto by written notice, delivered personally, mailed, faxed or e-mailed to each director at his 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 prepaid thereon. If faxed or e-mailed, such notice shall be deemed to be delivered when confirmation of such fax or e-mail is documented by the sender. Any director may waive notice of any meeting. The attendance of a director at or the participation by a director in any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend or participate in a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. Meeting by Electronic Means. Meetings by Electronic Means. Members of the Board of Directors or any committee designated by the Board may participate in a meeting of such board or committee by means of teleconference or other communication which allows all persons participating in the meeting to communicate with each other at the same or contemporaneous time. Participation by a board or committee member in such a meeting constitutes presence in person at the meeting.

Section 5. Quorum. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided

that if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time-to-time provided further that a new notice is given to Board members specifying the time and place and means of such adjourned meeting.

Section 6. Manner of Acting. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors

ARTICLE V Officers

Section 1. Number. The officers of the Cooperative shall be a President, Vice President, Secretary, Treasurer and such other officers as may be determined by the Board of Directors from time-to-time. The offices of Secretary and Treasurer may be held by the same person.

Section 2. Election and Term of Office. The officers shall be elected, by ballot, annually by and from the Board of Directors at the first meeting 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 the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these By-Laws with respect to the removal of officers.

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

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

Section 5. President. The President shall:

- (a) be the principal officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors;
- (b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Cooperative; or shall be required by law to be otherwise signed or executed; and

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

Section 6. Vice President. In the absence of the President, or in the event of the President's inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the power of and be subject to all the restrictions upon the President and shall perform such other duties as from time-to-time may be assigned by the Board of Directors.

Section 7. Secretary. The Secretary shall be responsible for:

- (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose;
- (b) seeing that all notices are duly given in accordance with these By-Laws or as required by law;
- (c) the safekeeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these By-Laws.
- (d) keeping a register of the names and addresses of all members;
- (e) signing, with the President, certificates of membership, the issue of which shall have been authorized by the Board or the members;
- (f) keeping on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the By-Laws and of all amendments thereto to any member upon request; and
- (g) in general, performing 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 8. Treasurer. The Treasurer shall be responsible for:

- (a) custody of all funds and securities of the Cooperative;
- (b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these By-Laws; 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 be assigned by the Board of Directors.

Section 9. Manager. The Board of Directors may appoint a manager who shall perform such duties as the Board of Directors may from time-to-time require and shall have such authority as the Board of Directors may from time-to-time vest in the manager.

Section 10. Bonds of Officers. The Board of Directors shall require the Treasurer or any other officer of the Cooperative charged with responsibility for the custody of any of its funds or property, to be bonded in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as its shall determine.

Section 11. Compensation. Compensation, if any, of the officers of the Cooperative shall be set at the annual meeting by resolution of the members, or in the absence of a resolution by the members by resolution of the Board, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of this Cooperative. The compensation, duties and terms of employment of the manager and all other employees of this Cooperative shall be fixed and determined by the Board of Directors.

Section 12. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI

Contracts, Checks and Deposits

Section 1. Contracts. Except as otherwise provided in the By-Laws 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 and on behalf of the Cooperative and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time-to-time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Cooperative shall be invested or deposited from time-to-time to the credit of the Cooperative in such investments or financial institutions as the Board of Directors may determine.

ARTICLE VII

Membership Certificates

Section 1. Certificates of Membership. Membership in the Cooperative shall be evidenced either by a membership certificate or a membership record as the Board of Directors deems appropriate. If the membership is evidenced by a certificate, it shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to or inconsistent with the Articles of Incorporation of the Cooperative or these By-Laws.

Section 2. Issue of Membership Certificates. No membership certificates shall be issued for less than the membership fee fixed in these By-Laws, nor until such membership fee has been fully paid for in cash and such payment has been deposited with the Cooperative.

Section 3. Lost Certificate. In case of a lost, destroyed or mutilated certificate a new certificate may be issued therefore upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE VIII

Non-Profit Operation

Section 1. Interest or Dividends on Capital Prohibited. The Cooperative shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

Section 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any so furnished by each patron is clearly reflected and credits in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to the patron's account. All such amounts credited to the capital account of the patron shall have the same status as though they have been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amount so allocated shall be

included as a part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part pursuant to policies established from time-to-time at the sole discretion of the Board of Directors. In establishing such policies, the Board of Directors is specifically authorized to establish policy designated to honor human beings who reach customary retirement ages or who pass from the face of this earth and to aid their surviving families or the members themselves who are in retirement. Retiring the capital of a dissolved business entity, such as a partnership, corporation or other legal entity, does not serve this purpose. Therefore, this cooperative distinguishes natural from non-natural persons for purposes of capital retirements to estates and to human beings in retirement. It is deemed unfair to retire the stock of a non-natural member, such as a corporation, upon dissolution of that corporation and, at the same time, to refuse to retire the stock or capital of a natural member upon failure of that member's business only because the natural member failed to establish a legal entity to conduct business. Similarly, there is no correlation between the ages of members who are human beings with the ages of business entities. Human beings have finite term of existence while non-natural members, such as corporations, partnerships or other legal entities, can exist in perpetuity. This cooperative does not distinguish between natural and non-natural members for purposes of crediting its margins. All margins are credited to the members on the basis of patronage as herein provided.

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

The cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such patron to the cooperative, together with interest thereon at the maximum rate allowed by law in the State of Minnesota or at such lesser rate of interest as determined by the Board of Directors.

The patrons of the cooperative, by dealing with the cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and By-Laws shall constitute and be a contract between the cooperative and each patron, and both the cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article shall be called to the attention of each patron of the cooperative by posting in a conspicuous place in the cooperative's office.

The association may deduct a reasonable service charge from the capital credits of a patron who has not claimed them beginning two years after the capital credits are declared payable. The amount of such service charge shall be determined periodically by the Board of Directors and shall be based on the current cost of handling the capital credit account of the patron.

Section 3. Other Patronage Allocations. In the event that the Cooperative should engage in the business of furnishing goods or services other than the delivery of 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 be allocated annually and returned to the members of this Cooperative, or may be used by the Cooperative as permanent, non-allocated capital. In addition, all amounts allocated to the Cooperative from other organizations that furnish services, supplies, or products to the Cooperative, and any other non-operating margins, may be allocated annually and returned to the members of this Cooperative, or may be used by the Cooperative as permanent, non-allocated capital. The Board of Directors shall determine the method, basis, priority, and order of retirement, if any, for all such amounts heretofore or hereafter allocated to the members of this Cooperative.

ARTICLE IX
Waiver of Notice

Any member, director or officer may waive, in writing, any notice of meetings required to be given by law, the Articles of Incorporation or these By-Laws.

ARTICLE X
Disposition of Property

The cooperative may not sell, mortgage, lease, or exchange more than twenty-five (25%) of its property, rights, privileges and franchises; merge with or consolidate with another entity that is not a rural electric cooperative within the meaning of the Rural Electrification Act of 1936; or dissolve the cooperative without authorization for the above acts by the affirmative vote of the holders of two-thirds (2/3) of the shares of stock issued and outstanding, given at a members' meeting duly called for that purpose, or when authorized by the written consent of the holders of two-thirds (2/3) of the shares of stock issued and outstanding; provided, however, that such affirmative vote or written consent of the members shall also represent the affirmative vote or written consent of at least two-thirds (2/3) of the individual members; and provided further, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America, or any agency or instrumentality thereof, The National Rural Utilities Cooperative Finance Corporation, or any other lending institution and in connection with such borrowing to authorize the making and issuance of bonds, notes, or other evidences of indebtedness and, to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbrance of any or all of the property, assets, rights, privileges, licenses, franchises and permits of the cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors shall determine. For purpose of this Article, a merger with or consolidation into another rural electric cooperative association shall not be deemed a sale, mortgage, lease or exchange. Other provisions of these By-Laws notwithstanding, any repeal, amendment, or alteration of this Article that would result in a change in the member approval requirements for acts described herein, must be approved by at least twenty five (25%) of all members of the cooperative, provided that said twenty-five (25%) or more is a majority of those votes cast on said repeal, amendment, or alteration. The board of Directors shall submit any actions referred to in this Article to a mail vote by the members of the cooperative.

ARTICLE XI
Indemnification

The Cooperative shall indemnify present and former directors, officers, agents who are made or are threatened to be made a party to a proceeding by reason of the fact that the person is or was a director, officer or agent. Such indemnification shall be to the fullest extent that such is allowed under the laws of this State. The Cooperative may purchase insurance to cover such indemnification.

ARTICLE XII
Fiscal Year

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

ARTICLE XIII
Seal

The corporate seat of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Minnesota."

ARTICLE XIV
Amendments

These By-Laws may be altered, amended or repealed by the members at any regular or special meeting if approved by a majority of the votes cast, provided the notice of such meeting shall have contained a summary statement of the proposed alteration, amendment or repeal.