

**Articles of Incorporation of
Runestone Electric Association**
Approved March 27, 2004

ARTICLE I

Name, Purpose, Business Address

Section 1. The name of this Association shall be Runestone Electric 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 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;
- (b) To assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds 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;
- (c) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish 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;
- (g) To diversify into other business purposes approved by the Board of Directors, exercising corporate powers set forth in Minnesota Statutes Section 308A.201.
- (h) 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 to limit or restrict in any manner the general powers 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, including all powers as set forth in Minnesota Statutes Chapter 308A now in force or hereinafter amended.

Section 3. The registered office and principal place of transacting the business of this Association shall be at 124 7th Avenue West, Alexandria, Minnesota.

ARTICLE II

Duration

The period of duration of this Association shall be perpetual.

ARTICLE III

Stock and Cooperative Operation

Section 1. The total authorized number of shares of capital stock of this Association is 62,000, of which 2,000 shares of the par value of \$2.50 each, shall be shares of the first class, of which 10,000 shares of the par value of \$5.00 each, shall be shares of the second class, and of which 50,000 shares of the par value of \$20.00 each, shall be shares of the third class.

All classes of shares shall have equal rights and preferences and restrictions granted to or imposed upon them.

The shares of all classes 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 shall be issued for less than its par value nor unless the same has been paid for in full in cash or its equivalent and such payment has been deposited with the Association.

Section 2. The Association 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 Association on any capital furnished by its patrons nor on the capital stock issued by the Association. The net income of the Association, except for amounts set aside as capital reserves or additional reserves, shall be distributed on the basis of patronage. The records of the Association may show the interest of patrons and members in the reserves.

Section 3. Each stockholder ("member") shall have only one vote in the affairs of the Association, and stock ("membership") shall not be transferable except with the approval and consent of the Board of Directors.

ARTICLE IV

Original Incorporation and Board of Directors

The Association was incorporated on December 3, 1935. The names and addresses of the original incorporators of this Cooperative Association and its first Board of Directors are as follows:

John J. Wilken, Brandon
Charles A. Gustafson, Parkers Prairie
Clifford R. Hove, Alexandria
Sidney Angus, Garfield
Chris Nelson, Osakis
David Hvezda, Alexandria
Charlie A. Schuneman, Carlos

ARTICLE V

Directors

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 seven (7) members who shall be elected by ballot by the stockholders for such terms as the Bylaws may prescribe at the annual meeting of the stockholders.

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

ARTICLE VI

Limitation of Director Liability

A director of this Association shall not be personally liable to this Association or its members for monetary damages for breach of fiduciary duty as a director, except for:

- (A) Liability based on a breach of duty of loyalty to the Cooperative or the members;
- (B) Liability for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- (C) Liability for any transaction from which the director derived an improper personal benefit; or
- (D) Liability for any act or omission occurring prior to the date this Article VI became effective.

If Chapter 308A of Minnesota Statutes hereafter is amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director, in addition to the limitation of personal liability provided herein, shall be limited to the fullest extent permitted by the amended Chapter 308A of Minnesota Statutes. Any repeal or modification of this Article by the members of this Cooperative shall be prospective only and shall not adversely affect any limitation on the personal liability of a director of the Cooperative existing at the time of such repeal or modification.

ARTICLE VII Amendment of Articles

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

Bylaws of Runestone Electric Association

ARTICLE I Members

Section 1. Qualifications and Obligations. Any natural person or legal entity with the capacity to enter legally binding contracts may become a shareholder (hereinafter "member") in the Cooperative by: (a) paying the par value for one share of stock; (b) signing a membership application as adopted by the Board of Directors; (c) agreeing to purchase from the Cooperative the amount of electric energy as hereinafter specified; and (d) agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative, these Bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors; provided, however, that no person or entity shall become a member unless and until the member's application for membership has been accepted for membership by the Board of Directors. Stock may be issued by recording the ownership in the records of the Cooperative as shown on the membership application but without issuance of a stock certificate ("uncertificated stock").

Section 2. Joint Memberships. Any two or more persons or legal entities occupying the same location within the Cooperative's service territory may apply for joint membership provided the persons or entities comply jointly with the provisions of the above Section 1, subdivisions (a), (b), (c), and (d).

Any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of one or more of the joint members shall be regarded as the presence of one member and shall constitute a joint waiver of notice of the meeting;
- (b) The vote of any of the joint members or all of them jointly shall constitute one joint vote;
- (c) The absence of any two or more persons or entities holding a joint membership from any annual or special meeting of the members, shall permit them to cast a vote by mail when permitted in these Bylaws;
- (d) A waiver of notice signed by any one of the joint members shall constitute a joint waiver;
- (e) Notice to any one of the joint members shall constitute notice to all;
- (f) Any one but not more than one may be elected or appointed as a director, provided that the qualifications for such office are met.

Section 3. Easements and Access. Each member shall furnish to the Cooperative reasonable access to and grants of easement on or over the lands owned (including any right or interest) by the member (the "Member's Premises"), to be used for furnishing electric service to the member and for the construction, operation and maintenance of the electric distribution lines of the Cooperative. These easements shall be in accordance with such reasonable terms and conditions as the Cooperative shall require.

Section 4. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all (or such lesser amount as allowed by law) electric energy used on the Member's Premises at monthly rates fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to approval by the Cooperative of the application by the member for authorization to interconnect, under such appropriate regulations and costs as shall be fixed from time to time by the Cooperative. The Cooperative shall compensate any member for energy produced on the premises and accepted by the Cooperative in the manner prescribed by law. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the Cooperative such minimum amount as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by the member to the Cooperative as and when the same shall become due and payable.

The Cooperative shall use reasonable diligence to furnish its members with adequate and dependable electric service, although it cannot and therefore does not guarantee a continuous and uninterrupted supply thereof.

Section 5. Non-liability for Debts of the Cooperative. The private property of the members shall be exempt from execution for the debts of the Cooperative, and no member shall be individually responsible for any debts or liabilities of the Cooperative.

Section 6. Forfeiture of Stock. 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 to be forfeited if such member shall have knowingly, intentionally, or repeatedly violated any of the provisions of the Articles of Incorporation of the Cooperative, these Bylaws, or any 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. The stock so forfeited shall be retired and cancelled by the Board of Directors, and such member shall thereafter have no rights, privileges or benefits in the Cooperative.

Section 7. 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 8. Transfer of Membership and Termination of Membership.

- (a) Membership in the Cooperative shall be transferrable 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 the membership offered for sale by any member. Any membership so acquired by the Board of Directors for the Cooperative shall be cancelled and retired. Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Cooperative.
- (b) A membership may be converted to a joint membership upon two or more persons or entities making written application and complying with the requirements of Section 1. Such transfer shall be made and recorded on the books of the Cooperative.
- (c) When a membership is held jointly by two or more persons or entities, upon the death, cessation of existence, expulsion or withdrawal of any of the joint members such membership shall be deemed to be held solely by the remaining joint members with the same effect as though such membership had been originally issued solely to the remaining joint member(s), and upon the recording of such death, cessation of existence, expulsion or withdrawal on the books of the Cooperative the membership may be reissued in the name of such remaining joint member(s), provided, however, that the estate of the deceased person or successors or assigns of the entity shall not be released from any membership debts or liabilities to the Cooperative.
- (d) Upon the death of a member, the Cooperative may reissue the decedent's stock at its original par value to a surviving spouse upon compliance by the surviving spouse with Section 1.

Section 9. Removal of Directors and Officers. The members shall have the power to remove any director or officer for cause related to the duties of the position of the director or officer. Any member may bring charges against an officer or director by filing them in writing with the Secretary, together with a petition signed by ten percent (10%) of the members, requesting the removal of the officer or director in question. The removal shall be voted upon at the next regular or special meeting of the members. To be heard at the annual meeting the charges and petition must be received by the Secretary at least 60 days prior to the annual meeting. 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 and to present evidence; and the person or persons bringing the charges against the director shall have the same opportunity. If a director is removed by the members, then the vacancy shall be filled by a vote of the members of the district for which the vacancy exists at a special meeting of the members to be held within 60 days of the removal. The members of the district shall be mailed a notice of the meeting and a ballot containing the names of all candidates who have petitioned for nomination pursuant to Article III, Section 4.

ARTICLE II Meetings of Members

Section 1. Annual Meeting. The annual meeting of the members shall be held at the principal place of business of the Association, or at any other place conveniently located within the area served by it, on such date and at such time, between March 1st and May 31st, as may be designated by the Board of Directors. Such annual meeting shall be called 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. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held as a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

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 and in a newspaper published in the county in which the Cooperative's principal place of business is located at least two (2) weeks 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. In lieu of publication or mailed notice, the Notice of Annual Meeting may be given by publication in the monthly cooperative newsletter.

Section 3. Special Meetings. Special meetings of the members may be called by a majority of the directors or upon a written petition signed by at least twenty percent (20%) of all the members. Special meetings of the members may be held at the principal place of business of the Cooperative or at any other place conveniently located within the area served by it. In lieu of publication or mailed notice, the Notice of Special Meeting may be given by publication in the monthly cooperative newsletter.

Section 4. Notice of Special Meetings. 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 at least two (2) weeks 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 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. Not less than fifty (50) members, present in person, shall constitute a quorum for the transaction of business at all meetings of the members. In determining a quorum at any meeting, on a question submitted to a vote by mail, members present in person or represented by mail vote shall be counted. If an insufficient number of members are present to constitute a quorum, a majority of the members present may adjourn the meeting from time to time without further notice.

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, which registration shall be verified by the President and Secretary and shall be reported in the minutes of such meeting.

Section 7. Voting. Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present all questions shall be decided by a vote of a majority of the members voting thereon at such meeting in person or by mail, except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these Bylaws. If two or more persons or entities hold a joint membership they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. The spouse of a member may vote on behalf of the member unless the member has indicated otherwise.

Section 8. Voting by Mail. Any member who is absent from any annual or special meeting of the members may vote by mail on the ballot herein prescribed, upon any motion, resolution or amendment to be acted upon at such meeting. The ballot shall be in the form prescribed by the Board of Directors of the Cooperative and shall contain the exact text of the proposed motion, resolution or amendment to be acted upon at such meeting. The ballot shall also contain spaces opposite the text of such motion, resolution or amendment in which such member may indicate the member's affirmative or negative vote therein by making an "X" in the appropriate space upon such ballot. Such ballot shall be mailed or delivered to the Cooperative in a plain, sealed envelope inside another envelope bearing the member's name. A properly executed ballot shall be accepted by the Cooperative and counted as the vote of the absent member at such meeting. The failure of any such absent member to receive a copy of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting. If a member introduces any such motion, resolution or amendment at an annual or special meeting that is not

included in the mail ballot, it is advisory only and is not binding upon the Cooperative, even if approved by the members present at the meeting.

Section 9. Order of Business. The Board of Directors shall determine the agenda and the order of business at the annual meeting and at all other meetings of the members. To the extent applicable, the order of business shall be essentially as follows:

1. Establishment of a quorum.
2. Statement that the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be, will be made a part of the record of the meeting.
3. Act on unapproved minutes of previous meetings of the members.
4. Election of directors.
5. Presentation of reports of officers, directors and committees.
6. Unfinished business.
7. New business.
8. Adjournment.

The meetings of the members shall be governed by the Articles of Incorporation and Bylaws of the Cooperative and the laws of the State of Minnesota. Business matters and procedures not so governed shall be generally governed by Robert's Rules of Order.

Section 10. Postponement of Meeting of the Members. In the event of inclement weather or the occurrence of a catastrophic event, natural disaster, or other good cause, any annual, special, or district meeting of the members may be postponed and rescheduled by the President or in the President's absence by any other available officer of the Board. Notice of the postponement and rescheduling shall be given by the Cooperative in any media of general circulation or broadcast serving the area served by the Cooperative.

ARTICLE III Directors

Section 1. General Powers and Tenure. The business and affairs of the Cooperative shall be managed by a board of seven (7) directors, which shall exercise all of the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the members. The term of office for each director shall be for three (3) years, and terms shall be staggered so that either two or three directors are elected each year.

Section 2. Districts. The service area of the Cooperative shall be divided into seven (7) districts as designated by the Board of Directors from time to time.

Not less than sixty (60) days before any district meeting at which candidates for the Board of Directors are to be nominated, the Board of Directors shall review the composition of the seven (7) districts and if it appears that the district membership in any one (1) district is more than 20% greater or 20% lesser than 1/7th of the total membership of the Cooperative, the Board of Directors shall redistrict the service area in an equitable manner.

No more than one (1) director shall have residence in each of the seven (7) districts. Should any member of the Board of Directors change his or her residence from the district from which that director was elected, a vacancy shall automatically exist on the Board of Directors for the district from which that director was elected.

Section 3. Nomination at District Meetings. At least thirty (30) days prior to the annual meeting, a meeting of members shall be held in each district in which a vacancy will exist on the Board of Directors at the next annual meeting. Such meeting shall be called at the time and the place within the district as may be designated by the member of the Board of Directors elected from that district. The district meeting may be held at any location within the district or at any location surrounded by the district service area, even if the specific location is not served by the Cooperative. Notice of the district meetings shall be given by the Secretary of the Cooperative by mailing a notice thereof to each and every member of the district not less than seven (7) days previous to the date of such meeting. At least ten (10) members, present in person, shall constitute a quorum for the transaction of business. The director elected from the district shall act as chairman of the meeting. The members present at such meeting shall nominate one (1) or more members who reside in the district as candidates for the Board of Directors. Nominations may not be closed until all members present shall have had an opportunity to nominate. A list of nominations for director shall be immediately prepared, signed by the Chairman and Secretary, and posted at the principal place of business of the Cooperative.

Section 4. Nomination by Petition. Any fifteen (15) or more members from any district in which a vacancy will exist on the Board of

Directors at the next annual meeting may make other nominations in writing over their signatures not later than fifteen (15) days after the district meeting, and the Secretary shall post the petition at the same place where the list of nominations made by the district meetings is posted.

Section 5. Elections. A ballot marked "Ballot for Director _____ District _____" containing the names of all the nominees with the names in rotating order, shall be mailed with the notice of the meeting to the members of districts in which a director is to be elected. The ballot shall not specify the manner of nomination of the nominee. The Secretary shall also mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the district meetings and nominations made by petition. Such statement of the Secretary shall also inform the members of each district in which a director is to be elected, of the manner in which the members of that district may vote by mail for a director as provided in this Section. Any member of a district in which a director is to be elected, who is absent from any such meeting, may vote by mail for a director by marking on the ballot an "X" opposite the name of a candidate and enclosing the ballot in a sealed envelope inside another envelope bearing the name of the member, addressed to the Secretary. When such ballot so enclosed is received by mail from any absent member, it shall be accepted and counted as a vote for the director by ballot for the district of such absent member at such meeting. In every election, the nominee from each district in which a vacancy exists, receiving the largest number of votes of members in that district shall be elected to the Board of Directors. In the case of a tie vote, the winner shall be determined by a flip of a coin. 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 6. 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 majority vote of the remaining directors. The director appointed by the Board of Directors to fill the vacancy shall serve until the next annual or special meeting of the Cooperative, when an election shall be held for director for the remainder of the unexpired term in that district.

Section 7. Qualifications. No person shall be eligible to become or remain a director of the Cooperative who:

- (a) is not a bona fide member of the Cooperative receiving electric service from the Cooperative in the district that the director represents or would represent if elected;
- (b) is not a bona fide resident of the district from which he or she is elected or for which he or she is a candidate; (bona fide resident shall be defined as occupying and continuously and materially purchasing electric service at a location within any director district from which the director is elected or for which he or she is a candidate for at least nine (9) months each calendar year);
- (c) is in any way employed by or substantially financially interested in an enterprise substantially competing with the Cooperative or any Cooperative-affiliated business;
- (d) within five (5) years preceding a director candidate's nomination was or during service on the Board of Directors is adjudged to be guilty of a felony;
- (e) within three (3) years preceding a director candidate's nomination was a full-time employee of the Cooperative;
- (f) is a grandparent, parent, spouse, co-habitant, child, or grandchild of an incumbent who is not up for reelection at that time;
- (g) is a grandparent, parent, spouse, co-habitant, child, or grandchild of an employee of the Cooperative;
- (h) is or becomes the full-time employee or agent or, who is or becomes the full-time employer or principal of, another director;
- (i) does not have the capacity to enter legally binding contracts;
- (j) unless excused for good cause by the board is absent from three or more regular meetings of the Board of Directors during any calendar year.

A member that is an authorized farm corporation or family farm corporation may select an individual member residing on or actively operating the farm to be eligible for election to the board.

With regard to the provisions in Paragraphs (f) and (g) above, no incumbent director shall lose eligibility to remain a director or to be reelected a director if, during a director's incumbency, a director becomes a first kindred relative of another director or of a Cooperative employee because of a marriage or an adoption to which the director was not a party.

After the Board of Directors determines that a director or nominee for director lacks eligibility under the provisions of this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the board to promptly make a disqualification. After the Board of Directors determines that any director nominee or any existing director lacks eligibility under this Section, it shall be the

duty of the board to withhold such position from such director nominee or to cause a director to be removed from the Board of Directors, as the case may be.

Notwithstanding anything contained in this Section, 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 or any action taken by them.

Section 8. Compensation.

- (a) Directors shall not receive any salary for their services as such, but by vote of a majority of the members present and voting at an annual or special meeting of the Cooperative a fixed sum and reasonable expense of attendance, if any, may be allowed for attendance at meetings where directors are authorized or required to be present. If authorized by the Board, directors may also be reimbursed for expenses actually and necessarily incurred in carrying out Cooperative business.
- (b) Compensation for directors shall first be recommended by Resolution of the Board of Directors and submitted to the Member Advisory Council. If approved by a majority vote of the Member Advisory Council, the Resolution shall be recommended to the annual or special meeting for adoption. The text of the Resolution shall be set forth in the Notice of Meeting.
- (c) No director shall receive any additional compensation for serving the Cooperative as an officer, agent or in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative. A membership vote on director compensation under this Section shall not be subject to Article II, Section 8, Voting by Mail.

Section 9. Rules and Regulations. The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 10. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Services of the United States of America. The Board of Directors 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 each fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

ARTICLE IV Meetings of Directors

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this Bylaw, immediately after, and at the same place as the annual meeting of the members or by unanimous consent in any other convenient location. A regular meeting of the Board of Directors shall be held at least ten (10) times a year at approximately monthly intervals at the office of the Cooperative at Alexandria, Minnesota or at a place designated by the Board of Directors.

Section 2. 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 for the holding of any special meeting of the Board of Directors called by them.

Section 3. Notice. Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given by written

notice, delivered personally or mailed, to each director at the director's last known address. Notice may also be given by telephone or by electronic means, such as a facsimile machine or computer message, in lieu of written notice. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid, at least five (5) days before the date set for the meeting. If in person, by telephone, or by electronic means, such notice shall be made at least thirty-six (36) hours before the time set for the meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case 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. At any time, a director may also waive notice of any board meeting by delivering to the Cooperative a written waiver of notice signed by the director and later filed with the board minutes or the Cooperative's records.

Section 4. 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 without further notice.

Section 5. 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.

Section 6. Participation in Meetings by Means of Remote Communication. A director may participate in a board meeting by means of conference telephone or, if authorized by the board, by such other means of remote communication, in each case through which the director, other directors so participating, and all directors physically present at the meeting may communicate with each other during the meeting. Participation in a meeting by that means constitutes presence at the meeting.

ARTICLE V Officers

Section 1. Number. The officers of the Cooperative shall be a President, Vice-President, Secretary and Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and of 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; provided, when there is only one nominee for any office, then, if there is no objection, written balloting may be dispensed with and voting may be conducted in any other proper manner. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. 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 the director's 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 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 interests of the Cooperative will be served thereby. Members may remove an officer at a membership meeting for cause related to the duties of the position of the officer and fill the vacancy caused by the removal.

Section 4. 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 5. President. The President shall:

- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors;
- (b) 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 in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be 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 powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned by the Board of Directors.

Section 7. Secretary. The Secretary shall:

- (a) keep the minutes of meetings of the members and the Board of Directors in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records and of the seal of the Cooperative, and shall affix the seal to any document when duly authorized in accordance with the provisions of these Bylaws;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
- (e) have general charge of the books of the Cooperative in which a record of the members is kept;
- (f) keep on file at all times a complete copy of the Bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and

upon request of a member and at the expense of the Cooperative forward a copy of the Bylaws and of all amendments thereto to the requesting 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.

Upon request of the Secretary, the Board of Directors shall authorize the Secretary to delegate any or all of the duties to responsible employees of the Cooperative.

Section 8. Treasurer. The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit all such moneys in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provision of these Bylaws; and
- (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors.

Upon request of the Treasurer, the Board of Directors shall authorize the Treasurer to delegate any or all of the duties to responsible employees of the Cooperative.

Section 9. Chief Executive Officer. The Board of Directors may employ a Chief Executive Officer who may be, but who shall not be required to be, a member of the Cooperative. The Chief Executive Officer 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 him or her.

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

Section 11. Compensation. The powers, duties and compensation of officers, agents and employees shall be fixed by the Board of Directors, except compensation of directors is governed by Article III, Section 8.

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 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 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 to be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

ARTICLE VII 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 credited in an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to the patron's account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron has then furnished the Cooperative corresponding amounts for capital.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members.

If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. The Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in 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.

Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any patron who is a natural person, if the legal representatives of the deceased patron's estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both 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 of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Section 3. Capital Credits in Connection with Furnishing Electric Energy, and Other Services. The Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative. Such rules shall (a) establish a method for determining the power supply portion of capital credited to each patron for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of the power supply portion of capital credited to the Cooperative's patrons, (c) provide for appropriate notifications to patrons with respect to the power supply portion of capital credited to their accounts, and (d) preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

Further, the Board of Directors shall have a like power to adopt rules providing for the separate retirement of such portions of capital credited to the accounts of patrons which correspond to capital credited to the account of the Cooperative by any other organization furnishing goods or services to the Cooperative.

Section 4. Non-Operating Margins. Funds and amounts, other than amounts received and receivable from the furnishing of electric service and in excess of operating costs and expenses chargeable against the furnishing of electric energy ("operating margins"), received by the Cooperative that exceed the Cooperative's costs and expenses

("non-operating margins") may be:

- (a) allocated as capital credits to patrons in the same manner as the Cooperative allocates operating margins as capital credits to patrons; or

- (b) retained or used by the Cooperative as non-allocated capital and used to pay or offset any indebtedness, cost, expense or to establish a reserve.

ARTICLE VIII Waiver of Notice

Any member or director may waive, in writing any notice of meeting required to be given by law, the Articles of Incorporation or these Bylaws. In case of a joint membership a waiver of notice signed by any of the joint members shall be deemed a waiver of notice of such meeting by both joint members.

ARTICLE IX Security Interest in Patronage Capital

As security for the full and prompt payment and performance when due of any and all obligations or indebtedness that may be owed by a patron (member or non-member) to the Cooperative, the Cooperative shall have a continuing security interest in and recoupment claim against the patronage capital allocated to a patron. Each patron authorizes the Cooperative to perfect that security interest by any filing required under the Uniform Commercial Code.

ARTICLE X Disposition of Property

The Cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property; merge with or consolidate into another entity that is not a rural electric cooperative association within the meaning of the Rural Electrification Act of 1936; or dissolve the Cooperative; or file for bankruptcy with the United States Bankruptcy Court unless any such act is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds (2/3) of all of the members of the Cooperative, and unless the notice of such proposed act shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative. For purposes of this Article, a merger with or consolidation into another rural electric cooperative association shall not be deemed a sale, lease or other disposal of property. Other provisions of these Bylaws 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 a majority vote of all members of the Cooperative.

ARTICLE XI Fiscal Year

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

ARTICLE XII Seal

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal, Minnesota". The use or nonuse of the corporate seal does not affect the validity, recordability, or enforceability of a document or act of the Cooperative. The use of the seal by the Cooperative on a document is not necessary.

ARTICLE XIII Electronic Records and Signatures

To the extent permitted or required by law and subject to reasonable policies of the Cooperative, any signature required or document required to be in writing by these Bylaws will be effective and enforceable if it is in electronic form.

ARTICLE XIV Amendments

These Bylaws 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 either a copy of the proposed alteration, amendment or repeal or a summary statement thereof. Any repeal, amendment, or alteration of Article X or of this sentence of this Article XIV of these Bylaws, however, that results, directly or indirectly, in a change in the member approval requirements for acts described in Article X, must be approved by a majority of all members of the Cooperative.