

ARTICLES OF AMENDMENT OF ARTICLES OF INCORPORATION
OF
ARROWHEAD ELECTRIC COOPERATIVE, INC.

KNOW ALL MEN BY THESE PRESENTS, that we the undersigned, the Chairman and Secretary respectively of Arrowhead Electric Cooperative, Inc., a corporation organized under the provisions of Minnesota Statutes, Section 308.05 to 308.18, and acts amendatory thereto, do hereby certify:

That on the 29th day of March, 2001, the Board of Directors of this Corporation adopted a resolution proposing an amendment to the Articles of Incorporation to be presented at a meeting of the stockholders to be held on the 5th day of May 2001. That on the 20th day of April, 2001, notice was mailed to each and every stockholder designating the time and place of meeting at which said proposed amendments would be considered and voted upon by the stockholders, which notice contained a complete text of the proposed amendment.

That at such meeting of the stockholders held on the day and at the aforesaid, a quorum of the stockholders being registered as being present in person or by mail, these stockholders by vote did amend the Articles of Incorporation of Arrowhead Electric Cooperative, Inc., be, and the same hereby are, amended to read as follows.

ARTICLES OF INCORPORATION
OF
ARROWHEAD ELECTRIC COOPERATIVE,
INC.

ARTICLE I – NAME

The name of this association shall be ARROWHEAD ELECTRIC COOPERATIVE, INC.

ARTICLE II – PURPOSE

The conduct of 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:

1) 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

only, and to construct, erect, purchase, lease as lessee, and in any manner acquire, own, hold, maintain, operate, sell, dispose of, leases as lessor, exchange, and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment, and electric transmission and distribution lines or systems necessary, convenient, or useful for carrying out and accomplishing any or all of the foregoing purposes.

2) 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, right-of-way and easements necessary, useful or appropriate to accomplish any or all of the purposes of the association.

3) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the association to accomplish any and all of its purposes;

4) 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 (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) 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 (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and to receive, acquire, endorse, pledge, guarantee, hypothecate, transfer or otherwise dispose of notes and other evidence of indebtedness and all security therefore.

5) To borrow money, to make and issue bonds, notes and other evidence of indebtedness, secured or unsecured, for monies borrowed or in payment for property acquired or for any of the

other objects or purposes of the association; to secure the payment of such bonds, notes or other evidence of indebtedness by mortgage or mortgages, or deed or deeds of trust upon, or by the pledge of or other lien upon any and all of the property, rights, privileges, or permits of the association, wheresoever situated, acquired or to be acquired, and;

6) To do and perform either for itself or its members any and all acts and things, and to have and to exercise any or all of the foregoing purposes, or as may be permitted by the Act under which the 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 power of this association and this association shall be authorized to exercise and enjoy all 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.

ARTICLE III – PRINCIPAL PLACE OF BUSINESS

The principal place of transacting the business of this association shall be in Lutsen, in the County of Cook, State of Minnesota.

ARTICLE IV – DURATION

The period of duration of this association shall be perpetual.

ARTICLE V – MEMBERSHIP

The association shall be organized on a membership basis and without capital stock. There shall be only one class of membership. Each member shall be entitled to one vote in the affairs of the association. Membership shall be transferable only with the approval of the Board of Directors of this association.

Capital stock outstanding at the time of adopting these Articles shall be retired in an orderly and non-discriminatory manner as the financial condition of the corporation permits, according to such policy or policies as shall be adopted from time to time by the Board of Directors.

ARTICLE VI – PATRONAGE

The association shall at all times be operated on a cooperative nonprofit 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.

In the furnishing of electric energy this association's operations shall be so conducted that all patrons, members and non-members alike, will, through their patronage, furnish capital for the association. In order to induce patronage and to assure that the association will operate on a non-profit basis, the association is obliged to account on a patronage basis to all its patrons for all costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses shall be received with the understanding that they are furnished by the patrons as capital. The association shall be obligated to pay by credits to a capital account for each patron all such net amounts in excess of operating costs and expenses and prior capital deficits, if any. The books and records of the association 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 association shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to his 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 the legal obligation to do so and the patron has then furnished the association corresponding amounts for capital.

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

In the event of dissolution or liquidation of the association, after all outstanding indebtedness of the association shall have been paid, outstanding capital credits shall be retired without priority on

RESTATED BYLAWS
OF
ARROWHEAD ELECTRIC COOPERATIVE,
INC.

ARTICLE I
MEMBERSHIP

Section 1. Requirements for Membership

Any natural person, legal business entity, association, body politic or subdivision thereof shall become a member of Arrowhead Electric Cooperative, Inc. (hereinafter called the "Cooperative") upon receipt of electric service from the cooperative provided that he, she or it has first:

- a) completed a Membership Application provided by the Cooperative;
- b) paid fixed minimum monthly charge and purchase all electric energy requirements as hereinafter specified;
- c) agreed to comply with and be bound by the Articles of Incorporation by bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors;
- d) been approved by the Board of Directors, and;
- e) agreed to furnish an easement over, above, across or under the real property owned by the applicant or for service to other members of the cooperative.

No member may hold more than one membership in the Cooperative, and no membership in the cooperative shall be transferable, except as provided in these bylaws. The form of the membership application shall be prescribed and amended from time to time by the Board of Directors.

Section 2. Membership Certificates

Membership in the Cooperative shall be evidenced by a membership certificate which shall be in such form and shall contain such provisions as shall be determined and amended by the board of Directors. Such certificate shall be signed by one or more officers or employees of the Cooperative, as designated from time to time by the Board of Directors.

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

Section 3. Joint Membership

Two or more adult persons, legal entities, or combination thereof, may apply for Joint Membership and, subject to their compliance with the requirements set forth in Section 1 of this Article, may be accepted for such membership. The term "member" as used in these bylaws shall be deemed to include those holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holding of a Joint Membership shall be as follows:

- a) The presence at a meeting of any or all 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 either separately or both jointly shall constitute one joint vote. In any event, only one ballot shall be presented to each membership. The vote may not be split.
- c) A Waiver of Notice signed by either or both shall constitute a joint waiver;
- d) Notice to either shall constitute a notice to both.
- e) Expulsion of either shall terminate the joint membership.
- f) Withdrawal of either shall terminate the joint membership.
- g) Any one party to a joint membership, but not more than one, may be elected or appointed as a board member, provided all parties in the joint membership meet the qualifications for becoming a board member.
- h) A legal entity shall designate a person entitled to vote on its behalf.

Section 4. Conversion of Membership

A membership may be converted:

a) by a written request signed by all persons having an interest therein. A membership in the name of the person or a joint membership may be converted to a membership of another of the two types. Such written request shall contain the agreement by all persons having an interest in a membership involved, to comply with the Articles of Incorporation and Bylaws, policies, and regulations adopted by the Board of Directors. The outstanding membership shall be surrendered and shall be reissued by the Cooperative in such manner as shall indicate the changed membership status.

b) Upon the death of any person who is party to the joint membership, such membership shall be held solely by the survivor(s). The estate of a deceased joint member shall not be released from any debt or obligations due the Cooperative.

c) Upon legal separation or dissolution of marriage or dissolution of a legal entity. 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 debt or obligation due the Cooperative.

The outstanding membership certificate shall be surrendered and shall be reissued by the cooperative in such manner as shall indicate the changed membership status.

Section 5. Purchase of Electric Energy

Each member shall sign an agreement for electric service. Except as applicable federal and state statutes and regulations may require, each member shall, as soon as electric service shall be available, purchase from the Cooperative all electric energy used on the premises specified in the application for membership, and shall pay therefore, at rates which shall from time to time be fixed by the Board. Each member shall also pay to the Cooperative such minimum amount regardless of the amount of electric energy consumed, 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.

Section 6. Termination of Membership

Membership can be terminated as follows:

- a) Any member may withdraw from membership upon payment in full of all debts and liabilities or such member and upon compliance with such uniform terms and conditions as the Board of Directors may prescribe.
- b) The Board of Directors may, by affirmative vote of not less than two-thirds of all members of the Board of Directors expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, policies, rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes the member liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. An expelled member may be reinstated by vote of the Board of Directors or by two-thirds majority vote of the members at any annual or special meeting.
- c) The membership of a member who has not paid the fixed minimum monthly charge and purchased all their electric energy requirements from the Cooperative, may be cancelled by motion of the Board of Directors
- d) Upon withdrawal, notification of death, cessation of existence or expulsion of a member, the membership of such member shall terminate. Termination of membership in any manner shall not release the member, or the estate, administrator, heirs, receivers or successors, from any debts or obligations due the Cooperative.

ARTICLE II

RIGHTS & LIABILITIES OF MEMBERS

Section 1. Property Interest of Members Upon Dissolution.

Upon dissolution and after;

- a) all debts and liabilities of the Cooperative shall have been paid, and;

- b) all capital furnished through patronage shall have been retired as provided in these bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which the aggregate patronage of each bears to the total patronage of all members during the ten calendar years preceding the date of the filing of the certification of dissolution.

Section 2. Non-Liability for Debts of the Cooperative.

The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

Section 3. Member Responsibilities

Pursuant to membership, each member shall:

- a) Upon request by the Cooperative, grant Cooperative permission without compensation thereof, a defined easement for right-of-way over, above, across or under the real property owned or controlled by the member and in accordance with such reasonable terms and conditions as the Cooperative shall require for the purpose of furnishing electric and other service and for the construction, operation, maintenance and repair (including clearing and reclearing of brush and trees in this easement) and/or relocation of the Cooperative's facilities.
- b) Give the Cooperative rights to cut, trim and/or remove any tree that the Cooperative, its agents or assigns, deem would be a danger to its facilities, even if such tree is outside of an easement granted.
- c) Cause all premises receiving electric service from the Cooperative to become and remain wired in accordance with the specifications of the State Board of Electricity, the National Electric Code, any applicable local government ordinances and statutes.
- d) Be responsible for and indemnify the Cooperative and its employees, agents, and independent contractors against death, injury, loss or damage arising from, or as a result of, any defect, negligence, or

improper use or maintenance of such premises and all wiring and apparatus connected thereto or used thereon.

- e) Make available to the Cooperative a suitable site, as determined by the Cooperative, to place its physical facilities for furnishing, maintaining, and metering of all electric service used on premises and shall permit Cooperative's authorized employees, agents, and independent contractors to have access hereto and without interference from disconnection of such facilities or services at all reasonable times.
- f) Be responsible for furnishing electric and other service beyond the point of delivery.

ARTICLE III

MEETINGS OF MEMBERS

Section 1. Annual Meeting

The annual meeting of the members shall be held at such time, place and hour in each year as may be determined by the Board of Directors, which shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon reports covering the previous year, and transacting such other business as may come before the meeting. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. If the election of directors shall not be held on the day designated for the annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings

Special meetings of the members may be called by a resolution of a majority of the members of the Board of Directors, or upon written petition signed by not less than twenty percent (20%) of all the members, and it shall thereupon be the duty of the Secretary of the Cooperative to cause notice of such a meeting to be given as hereinafter provided. Special meetings of the members may be held at any place within the area served by the Cooperative as designated by

the Board of Directors and specified in the notice of the special meeting.

Section 3. Notice of Member's Meeting

Written or printed notice stating the place, day, and hour of the meeting, and in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be mailed not less than fifteen days prior to the date of such meeting. Such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at the address as it appears on the records of the Cooperative, with postage thereon prepaid. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum

Fifty (50) members present in person shall constitute a quorum. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting without further notice; provided a new notice is mailed to each member specifying the time and place of the adjourned meeting. The minutes of each meeting shall contain a list by reference of the members present in person.

Section 5. Voting

Each member shall be entitled to one (1) vote and nor 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 simple majority vote of the members voting thereon at such meeting in person or by mail, except as provided by law, the Articles of Incorporation or these by laws.

Any member which is a legal business entity, association, or body politic or subdivision thereof, may be required to furnish appropriate evidence of the authority of its representative to vote in its behalf. Such authority shall be furnished to the Secretary of the cooperative before such representative votes at any such meeting. A representative or officer may also vote as an individual, if a member. Whenever a vote of members of the Cooperative is required

or provided for in any matter, the spouse of the member may vote on behalf of the member unless the member has indicated otherwise.

Section 6. 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 election, motion, resolution or amendment to be acted upon at such meeting. The ballot shall be in the form prescribed by the Board of Directors and shall contain space opposite the text of such motion, resolution or amendment in which such member may indicate their affirmative or negative vote thereon, and, in the case of an election ballot, shall contain the exact name of each candidate for office and shall contains space opposite each name in which such member may indicate their vote thereon. Such ballot envelope shall be signed by the member or its duly authorized representative and upon receipt by the Secretary of the Board at or prior to such meeting, shall be accepted and counted as the vote of such absent member. The failure of such absent member to receive a copy of such ballot shall not invalidate any action that may be taken by the members at any such meeting.

Section 7. Order of Business

The order of business at the annual meeting of the members, and so far as possible, at all other meetings of the members, shall be essentially as follows, except as otherwise determined by the members at such meeting:

1. Report on the number of members present in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting, as the case may be.
3. Reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Election of Directors.
5. Presentation and consideration of reports of officers, directors and committees.

6. Guest speakers and other presentations.
7. Unfinished business.
8. New business.
9. Adjournment.

The foregoing order of business may be changed by a majority vote of the members in attendance and voting at such meeting. Unless the members by majority vote of those in attendance and voting determine otherwise, Roberts Rules of Order shall govern all procedural questions and matters.

ARTICLE IV DIRECTORS

Section 1. General Powers

The business and affairs of the Cooperative shall be managed under the direction of a board of seven (7) directors as of the Annual Meeting in 2002, which shall exercise all of the powers of the Cooperative, except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation or these bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Cooperative. Such powers shall also include the determination and fixing of classification of services and rates to be charged by the Cooperative for service furnished.

Section 2. Director Districts

The territory served or to be served by the Cooperative shall be divided into a number of districts equal to the number of directors. The boundary lines of such districts, as initially established, may be changed from time to time by the Board of Directors to maintain an approximate equal number of members in each district. Each member is allowed to vote for all directors regardless of the district the director will represent. A candidate for director must designate the district they seek to represent. That

district must be determined by the following criteria in the order presented:

- a) The member's principal residence.
- b) The primary business site.
- c) If a member has not principal residence or a business has no primary site in any specific district in which service is received from the Cooperative, then the member shall designate in writing to the Secretary of the cooperative at least fifteen (15) days prior to time of nomination the one district that he/she has determined to be his/her district. Such designation shall not be changed without prior board approval and the member shall be eligible to be elected as a Director of the cooperative only from said district.

Each district shall be represented by one and only one director. A director shall be nominated and elected for the terms and in the manner provided in Sections 3, 4 and 5 following. The director districts are indicated on the official map at the cooperative business office.

Section 3. Election and Tenure of Office

Directors shall be elected to serve for a three-year period. The nominee from each district receiving the largest number of votes shall be elected as a director. In the event of a tie vote, the winner shall be chosen by the flip of a coin. These directors shall be elected by ballot from the members to serve until their successors have been elected and shall have been qualified subject to the provisions of these Bylaws with respect to the removal of directors. No member shall be eligible to serve more than four (4) consecutive three-year terms as a director.

Section 4. Director Qualifications

No member shall be eligible to become or remain a director or hold a position of trust in the Cooperative who:

- a) Has not elected a district to represent (See Article IV, Section 2).
- b) Has not been a member of the Cooperative's system for at least one (1) year.

- c) Is a convicted felon.
- d) Is an employee parent, child, brother, sister, or spouse of an employee of the cooperative, is other than a natural person.
- e) Has a conflict of interest, financial or otherwise with the Cooperative.
- f) Does not have the legal capacity to enter into a binding contract.

When a membership is held jointly or by tenants in common, one of the joint tenants or one of the tenants in common, but not more than one, may be elected as a director; provided, however, that such personal shall not be eligible to become or remain a director or hold a position of trust in the Cooperative unless both joint tenants or all tenants in common shall meet the qualifications hereinabove set forth. When a membership is held by a partnership, one, but not more than one, of the partners designated in writing by the partnership may be elected as a director; provided, however, that none of the partners shall be eligible to become or remain a director or hold a position of trust in the cooperative unless the candidate shall meet the qualifications set forth above.

Section 5. Nominations

Not less than sixty (60) days or more than ninety (90) days prior to the date of the meeting of the members at which directors are to be elected, the Board of Directors shall publish in the county's weekly newspaper a Notice of the upcoming election an invitation for interested candidates to contact the Committee on Nominations, to be considered as a candidate in the election. The Committee on Nominations will consist of one (1) member from each director district up for election appointed by the board of directors.

The committee shall prepare and post at the principal office of the Cooperative at least forty-five (45) days before the annual meeting a list of nominations for director, but any ten percent (10%) or more members in that district may make other nominations in writing over their signatures not less than forty (4) days prior to the meeting and the Secretary of the Cooperative shall post the same at the same place where the list of nominations made by the committee is posted. A ballot marked "Ballot for Directors", containing the district, name and address of each

nominee to be elected, shall be mailed with the notice of the meeting.

Section 6. Vacancies

Vacancies occurring on the Board of Directors shall be filled by a majority vote of the remaining directors. A notice of vacancy will be provided by publication to members in the county's newspapers. The notice will allow at least 5 days for interested applicants to submit their name for consideration. The Board of Directors will interview interested applicants and may select a successor to the Director vacating. If there are no applications the Board of Directors will fill the vacancy by appointment. Directors thus elected shall serve the unexpired term of that position. Vacancies shall be filled to comply with all other qualifications of becoming a board member. The Board of Directors may declare a vacancy if the Board member has missed three (3) consecutive regular board meetings or four (4) regular board meetings in any twelve (12) month period without valid reason.

Section 7. Compensation

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

Section 8. 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 or regulatory bodies, shall conform to such accounting system, as may from time to time be designated by the Administrator of the Rural Utilities Service (RUS) of the United States Department of Agriculture. 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 this fiscal year. A resume audit report shall be submitted to the members at the following annual meeting.

Section 9. Removal of Directors by Members

The members shall have the power to remove directors. Directors shall be removed only for cause. Charges against a director must be specific and must be filed with the Secretary of the Cooperative at least forty-five (45) days before the annual meeting or a special meeting called for this purpose, together with a petition signed by at least ten percent (10%) of the members of the Cooperative in that district, requesting removal of the director. Upon the filing of such a petition, the Secretary of the Cooperative shall immediately notify the Director so charged, in writing, at least fifteen (15) days prior to the meeting of the members. The Director so charged shall be allowed representation by counsel, shall be allowed to present evidence, shall be allowed to cross-examine witnesses, and shall be allowed to be heard in person at the meeting. The proceedings shall be presided over by a neutral chairperson, and the proceedings must be recorded.

ARTICLE V

INDEMNIFICATION

Section 1. Indemnification of Directors

The Cooperative shall indemnify directors, officers, agents and employees against liability to the extent that their acts or omission constituting the grounds for the alleged liability were performed in their official capacity, were based upon what a reasonable person would deem to be good faith business judgments and belief that the acts or omission were in the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings

A re-organizational meeting of the Board of Directors shall be held at the first regularly scheduled board meeting following the annual meeting. Regular meetings of the Board of Directors shall be held monthly at such time and place as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

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 the meeting.

Section 3. Notice of Board Meetings

Notice of time, place, and purpose of any special meeting of the Board of Directors shall be given at least three (3) days prior thereto, by written notice, delivered personally or by mail 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 so addressed, with postage prepaid thereon. 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 or any business because the meeting shall not have been lawfully called or convened.

Section 4. Quorum

A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board. If less than a majority of the directors are present at said meeting, said meeting shall be adjourned.

Section 5. Manner of Acting

The acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors.

ARTICLE VII

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 Treasurer may be held by the same person.

Section 2. Election and Term of Office

The officers shall be elected annually by and from the Board at the meeting of the Board held at the next regularly scheduled board meeting following the annual meeting. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as practical. Each officer shall hold office until the first meeting of the Board following the next succeeding annual meeting of the members or until their successors shall have been elected and shall have qualified. No director shall hold a specific office for more than two (2) successive one (1) year terms. A vacancy in any office shall be filled by the Board for the unexpired portion of the term.

Section 3. Removal

Any person appointed to a position 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. President

The President shall:

- a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members of the Board, shall preside at all meetings of the members and the Board.

- b) Sign any deeds, mortgages, 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 by these bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed, and
- c) In general perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

Section 5. Vice-President

In the absence of the President, or in the event of his/her 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 the restrictions upon the President. The Vice-President shall also perform such other duties as from time to time may be assigned by the Board.

Section 6. 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) see that all notices are duly given in accordance with these bylaws or as required by law;
- c) the safe-keeping of the corporate books and records and the seal of the Cooperative and affixing the seal of the Cooperative to all certificates of membership prior to the issue thereof, and to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these bylaws;
- d) Keeping a register of the names and post office addresses of all members;
- e) Keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the cooperative containing all amendments thereto (which copy shall always be open to the inspection by any

member) and at the expense of the cooperative, furnishing a copy of the bylaws of all amendments thereto to any member upon request; and

- f) 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.

Section 7. 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 bylaws; and
- c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the board.

Section 8. Manager

The board may appoint a manager who may be, but who shall not be required to be, a member of the cooperative. The manager shall perform such duties and shall exercise such authority as the board may from time to time vest in him/her.

Section 9. 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 be bonded in such sum and with such surety as the Board of Directors shall determine. The Board of Directors at its discretion may also require any other officer, agent or employee of the Cooperative to be bonded in such amount and with such surety as it shall determine.

Section 10. Compensation

The powers, duties, and compensation of officers, agents and employees shall be fixed by the board subject to the provisions of these

bylaws with respect to compensation for a board member.

Section 11. Reports of Officers

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. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

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 Electricity

In the furnishing of electric energy and/or electric service (electricity) 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 electricity in excess of operating costs and expenses properly chargeable against the furnishing of electricity. 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, and to debit to such capital accounts for each patron all operating costs and expenses in excess of such amounts received and receivable from the furnishing of electric energy. 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. Such separate records and accounts shall be kept regarding capital credits accruing from generation and transmission cooperative capital credits as shall be determined from time to time by the Board of Directors. The cooperative shall, within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited or debited to his account. All such amounts credited to the capital account of any patrons 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 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 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 shall determine that the financial condition of the cooperative will not be impaired thereby, the capital 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 accounts 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 instruction from the assignor and only to successors in interest or successors in occupancy in all or part of such patron's premises served by the cooperative unless the board, 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 to retire any

capital credited to the account of a member or former member who shall have died. Such retirement shall be upon such terms and conditions as the Board of Directors, acting under policies of general application, shall determine; provided, however, that the financial condition of the Cooperative will not thereby be impaired.

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. Patronage Refunds in Connection with Furnishing Other Services

In the event that the cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods and services shall, insofar as permitted by law, be used as the Board of Directors sees fit.

ARTICLE IX

DISPOSITION OF PROPERTY

The cooperative may not sell, lease or otherwise dispose of all or any substantial portion of its property unless such sale, lease or other disposition is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all the members of the cooperative, and unless the notice of such proposed sale, lease or other disposition shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of Directors 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 the pledging or encumbrancing 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 of Directors shall determine, to secure any indebtedness of the cooperative; provided, further, that the Board of Directors may, upon the authorization of a two-thirds majority of those members voting on the issue at a meeting of the members, sell, lease, or otherwise dispose of all or a substantial portion of its property to another cooperative or foreign corporation doing business in this state pursuant to the act under which this Corporation is incorporated. Such special meeting of the members shall be held not less than sixty (60) days nor more than ninety (90) days after the said special meeting is called.

A special meeting of the members called for the purpose of considering a proposed sale, mortgage, lease or other disposition or encumbrance of all or any substantial portion of the cooperative's property, or for the purpose of altering, amending, or repealing any provision of the bylaws relating to the sale, mortgage, lease or other disposition of the cooperatives' property, shall be held not less than sixty (60) days nor more than ninety (90) days after the said special meeting is called.

ARTICLE X

CORPORATE SEAL

The corporate seal of the Cooperative shall have inscribed thereon the name of the Cooperative and the words "Corporate Seal - Minnesota".

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 each calendar year.

ARTICLE XII

FINANCIAL TRANSACTION

Section 1. Contracts

Except as otherwise provided in these bylaws the Board 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 and Orders

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 and Investments

All funds except petty cash of the cooperative shall be deposited from time to time to the credit of the cooperative in such manner as shall from time to time be determined by resolution of the Board of Directors.

ARTICLE XIII

LIABILITY INSURANCE

The Board of Directors may, from time to time, authorize and direct that liability insurance be obtained to insure the cooperative, its members, directors, officers, employees or agents, including personal liability of any said persons, against liability resulting from any and all acts performed or done by or on behalf of the cooperative, or in the ordinary course of acting on behalf of the cooperative, including liability for negligence and nonfeasance, and may further authorize and direct that all premiums for such insurance shall be paid by the cooperative, and any such premiums paid shall not be considered compensation to any person thereby covered. Provided, however, that such insurance shall not insure against deliberate malfeasance of any person, and provided, further, that the existence or nonexistence of any such insurance, or limits thereto, shall not affect the liability of any such member, director, officer, employee or agent to the cooperative for any such act or failure to act.

ARTICLE XIV

MISCELLANEOUS

Section 1. Membership in Other Organizations

The cooperative shall not become a member of or purchase stock in any other organization without an affirmative vote of the members at a duly held meeting, the notice of which shall specify that action is to be taken upon such proposed membership or stock purchase; provided, however, that the cooperative may upon the authorization of the Board of Directors, purchase stock in or become a member of any corporation or organization organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification or with the approval of the Administrator of Rural Utilities Service (RUS), or any other corporation for the purpose of acquiring electric facilities.

Section 2. Waiver of Notice

Any member or board member may waive in writing any notice of a meeting required to be given by these bylaws. The attendance of a member or board member at any meeting shall constitute a waiver of notice of such meeting by such member or board member, except in case a member or board member shall attend a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been lawfully called or convened.

ARTICLE XV

These bylaws may be altered by a vote of two-thirds of the members voting at any regular or special meeting, provided that notice of such meeting shall have contained a copy of the proposed alterations, amendment or repeal, or a summary thereof, as provided by law.

