



Nobles Cooperative Electric

Your Touchstone Energy® Cooperative

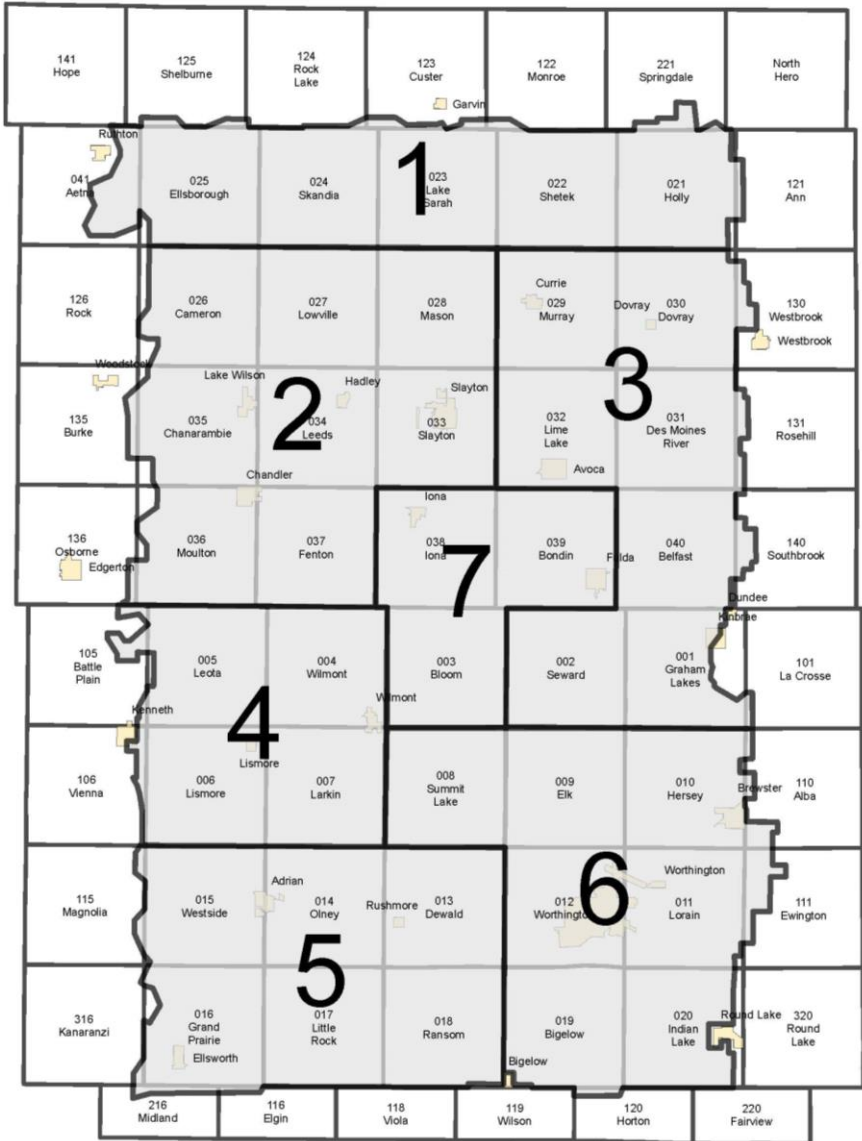


Articles of Incorporation and Bylaws

**As Amended and Restated March 26, 2011
and as Further Amended April 9, 2016
and May 7, 2019**

22636 U.S. Highway 59 • Worthington, MN 56187
507-372-7331

Nobles Cooperative Electric District Map



Articles of Incorporation of Nobles Cooperative Electric

The Articles of Incorporation of Nobles Cooperative Electric are amended and restated as follows:

ARTICLE I Name

The name of this Cooperative shall be **Nobles Cooperative Electric**.

ARTICLE II Purpose

The conduct of the business of this Cooperative shall be upon the cooperative plan and the purposes for which it is formed are to sell, provide, deliver, furnish, or distribute electric energy and other related products and services to its members and patrons and to engage in any other lawful business.

This Cooperative shall be authorized to exercise and enjoy all of the powers, rights, and privileges granted to or conferred upon cooperatives of the character of this Cooperative by the laws of the State of Minnesota now or hereafter in force.

ARTICLE III Registered Office and Place of Business

The registered office and the principal place of business of this Cooperative shall be:

22636 U.S. Highway 59
Worthington, Minnesota 56187

ARTICLE IV Period of Duration

The period of duration of this Cooperative shall be perpetual.

ARTICLE V Capital Stock

Section 1. **Authorized Capital Stock.** The authorized capital stock of this Cooperative shall be Ten Dollars (\$10.00) which shall consist of ten thousand (10,000) shares of uncertificated shares of common stock of the par value of one-tenth of one cent (1/10¢) each. This Cooperative may also establish and maintain such capital reserve or revolving funds or both as may be provided in the Bylaws.

Section 2. **Capital Stock:**

- a. **Lien.** This Cooperative shall have a first lien on all shares of its capital stock for all indebtedness of the holder thereof to this Cooperative.
- b. **Transfer.** Shares of capital stock shall be sold or transferred only on the books of this Cooperative and only with the consent and approval of the Board of Directors; provided, that said shares shall remain subject to this Cooperative's lien thereon; and provided, further, that this Cooperative shall have the first privilege of purchasing any shares offered for sale by any member, as more particularly provided in the Bylaws.
- c. **No Pre-emptive Rights.** Shares of capital stock shall not entitle the holder thereof to subscribe for or to purchase any unissued shares of capital stock, either ratably in proportion to the number of shares held or otherwise.
- d. **Issuance of Shares.** No share of capital stock may be issued for less than par; but the Board of Directors may issue new shares for par regardless of the book value or the market value or any other value of any shares then issued and outstanding.

- e. **Reserves.** The records of this Cooperative may show the interests of the members in the reserves; but members shall have no right, title, or interest of any kind in or to any reserve or revolving fund either upon dissolution or otherwise.

Section 3. **Common Stock:**

- a. **Members and Eligibility.** The members of this Cooperative shall be the holders of one or more fully paid shares of its common stock. The common stock of this Cooperative may be issued or transferred to or held by only persons or legal entities who:
- (1) either reside in or own or lease real property in the territory served by this Cooperative,
 - (2) patronize this Cooperative, and
 - (3) have been approved by the Board of Directors.

Whenever any member shall have ceased to be eligible to hold said common stock, or shall have ceased to patronize this Cooperative, or shall have intentionally or repeatedly violated any bylaw, or shall have remained indebted to this Cooperative for more than ninety (90) days after such indebtedness became payable, or otherwise shall have breached any contract between a member and this Cooperative, or shall have wilfully obstructed any purpose or proper activity of this Cooperative, then in any such event the Board of Directors may forfeit and cancel all common stock owned by such a member, and such member shall not receive any payment for the stock that is forfeited and cancelled unless otherwise required by law.

- b. **Votes.** Each member holding one or more shares of common stock shall be entitled and restricted to only one vote in the affairs of this Cooperative regardless of the number of such shares owned by a member. Members may vote by mail as provided in the Bylaws; but there shall be no voting by proxy. Only members shall have voting power.
- c. **Interest and Dividends.** No interest or dividends shall be paid upon capital furnished to the Cooperative by its members or patrons.

ARTICLE VI Patrons' Net Margins

The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its patrons.

In the furnishing of electric energy this Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative 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 such amounts are furnished by the patrons as capital. The Cooperative 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 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 the legal obligation to do so and the patron has then furnished the Cooperative corresponding amounts for capital.

Capital credits 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 successor in occupancy in all or part of such patron's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

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. The Board of Directors, at its discretion, shall have the power, at any time, to retire capital credits in accordance with provisions of the Bylaws of this Cooperative.

ARTICLE VII
Board of Directors

The government of this Cooperative and the management of its affairs shall be vested in a board of seven (7) directors who shall be elected by and from the members at the annual meetings of the members and for such terms as the Bylaws may prescribe.

ARTICLE VIII
Director Liability

To the fullest extent permitted by laws that are now or hereafter in force governing cooperatives, a director of this Cooperative shall not be personally liable to the Cooperative or its members for monetary damages for breach of fiduciary duty as a director.

ARTICLE IX
Amendments

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

Bylaws of Nobles Cooperative Electric

The Bylaws of Nobles Cooperative Electric are amended and restated as follows:

ARTICLE I Members

Section 1. **Qualifications and Obligations.** Any person or entity that has the legal capacity to enter into a binding contract may become a member of this Cooperative by:

- a. paying the stock purchase fee as hereinafter specified and completing an application for membership;
- b. agreeing to purchase from the Cooperative the amount of energy as hereinafter specified; and
- c. agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative, these Bylaws and amendments thereto, and such rules and regulations as may from time to time be adopted by the Board of Directors.

Section 2. **Stock Purchase Fee.** The stock purchase fee shall be one-tenth of one cent (1/10¢) each, and shall be deemed to have been paid upon the completion of the application for membership and its acceptance by the Cooperative.

Section 3. **Joint Membership.** Any two (2) or more potential qualified members may jointly become a member and their application may be accepted in accordance with the provisions found in this article. The term "member" includes all those holding a joint membership. Any provisions relating to the rights and liabilities of membership apply equally to all holders of a joint membership, specifically and without limitation:

- a. The presence at a meeting of any member constitutes the presence of all joint members and is a joint waiver of notice of the meeting;
- b. The vote of any of those holding joint membership, separately or all, jointly constitutes one joint vote;
- c. A waiver of notice signed by any of those holding the joint membership is a joint waiver;
- d. Notice to any of those holding the joint membership is notice to all holding the joint membership;
- e. Expulsion or withdrawal of any of those holding a joint membership terminates the joint membership;
- f. No more than one of those holding a joint membership may be elected or appointed as an officer or director, provided that all of those holding the joint membership meet the qualifications for such position;
- g. Upon the death of any of those holding a joint membership, such membership shall be held solely by the survivors;
- h. Joint membership shall not be terminated by divorce or separation;
- i. Joint membership shall continue until such time as the Cooperative shall receive sufficient notice, in writing, of any change in status, signed by all of the joint members; and
- j. A membership may be transferred by a joint member to the remaining holder or holders of the joint membership upon written request of such member and compliance by such remaining holder or holders of the joint membership with the provisions of subdivisions (b) and (c) of Section 1 of this article. Such transfer shall be made and recorded on the books of the Cooperative.

Section 4. **Purchase of Electric Energy.** As soon as electric energy shall become available, each member shall:

- a. purchase from the Cooperative all electric energy purchased for use on the premises specified in the application for membership; and
- b. shall pay therefor at rates and under such rules and regulations which shall from time to time be fixed by the Board of Directors; and

- (1) As the Cooperative cannot and does not guarantee a continuous and uninterrupted supply of electric energy to a member, the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member.
 - (2) It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital as provided in these Bylaws.
- c. pay to the Cooperative such minimum amount per month, regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time; and
 - d. pay all amounts owed to the Cooperative as and when the same shall become due and payable.

Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities, shall be subject to all federal and state rules, regulations and laws, and to such appropriate regulations as shall be fixed from time to time by the Board of Directors.

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 Membership.

- a. The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of the entire board, expel any member of the Cooperative, if such member shall have violated or refused to comply with any of the provisions of the Articles of Incorporation, the 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.
- b. The membership of a member who for a period of six (6) months after service is made available has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled at the discretion of the Board of Directors.
- c. The membership so forfeited and surrendered shall be retired and cancelled by the Board of Directors, and such member shall thereafter have no rights, privileges, or benefits in the Cooperative.
- d. Any member so expelled may be reinstated as a member by vote of the members at any annual or special members' meeting. The action of the members with respect to any such reinstatement shall be final.

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 and Termination of Membership.

- a. Membership in the Cooperative shall be transferable only with the approval and consent of the Board of Directors, except as hereinafter otherwise provided.
- b. 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 and liabilities of such member to the Cooperative.

Section 9. Voting Privileges.

- a. A member of the Cooperative is only entitled to one vote.
- b. Any member having more than one electric service shall use the service located at the member's principal place of residence, or non-natural member's principal place of business, within the service territory for voting and representation purposes.
- c. If a vote of members is taken on any matter, the spouse of the member may vote on behalf of the member, unless the member has indicated otherwise.
- d. A member may exercise voting rights on any matter that is before the members at a members' meeting from the time the member arrives at the members' meeting until the voting closes, unless otherwise noted in the notice of the members' meeting.

- e. A member's vote at a members' meeting must be in person or by mail and not by proxy except as provided above for a vote by a spouse.
- f. A member may vote by mail on the ballot (a "Mailed Ballot") prescribed in this section on any motion, resolution, or amendment that the Board submits for vote by mail to the members, and a member shall be allowed to vote by mail for the election of directors and for the election of nominators.
- g. The Mailed Ballot shall be in the form prescribed by the Board and shall contain:
 - (1) the exact text of the proposed motion, resolution, or amendment to be acted on at the meeting; or
 - (2) the names, district and term length of the candidates, nominated by the Nominating Committee, for the director and nominator position or positions to be filled; and
 - (3) spaces opposite the text of the motion, resolution, or amendment or candidate's name, in which the member may indicate an affirmative or negative vote.
- h. The member shall express a choice by marking an "X" in the appropriate space on the Mailed Ballot and mail or deliver the Mailed Ballot to the Cooperative in a plain, sealed envelope (the "Privacy Envelope") inside another envelope (the "Return Identification Envelope") bearing the member's name.
- i. A properly executed Mailed Ballot received on or before the day preceding the members' meeting shall be accepted by the Board of Directors and counted as the vote of the member.
- j. A member who is other than a natural person must designate a natural person to represent it by giving the Cooperative a written notice at or before the member meeting, which shows that the named representative has been authorized by the managing board of such member to represent it at the meeting of this Cooperative, or if an individual brings the "Voter Registration Card" to the member meeting then it is presumed that said non-natural member has duly authorized said individual to represent it at said meeting and to vote on its behalf on all matters to be voted upon at said meeting. An individual may represent no more than one such member, but may also vote as an individual if the person is a member individually.
- k. Unless otherwise provided by law, the Articles of Incorporation or these Bylaws, a majority of the member votes cast, in person (and by mail on a question so proffered by the Board of Directors), shall determine the passage of any motion, resolution, or amendment submitted to the membership.

Section 10. Member Grants of Property Rights. Each member shall execute and deliver to the Cooperative grants of a defined easement of right-of-way on or over such lands owned by members, in accordance with such reasonable terms and conditions as the Cooperative shall require for the furnishing of electrical services to the member or other members or for the construction, operation, and maintenance of the Cooperative's electric facilities.

Section 11. Removal of Directors and Officers. The members shall have the power to remove any director or officer for cause. Any member may bring charges against an officer or director by filing such charges in writing with the Secretary, together with a petition signed by 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 annual or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting. The director or officer against whom such charges have been brought shall be informed in writing of the charges prior 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 or officer shall have the same opportunity.

Section 12. Arbitration. Any and all disputes, claims or controversies ("disputes") arising from or related in any way to the Cooperative's providing of electricity or other services, or in its furnishing of any goods, or in the conduct of its operations, other than disputes or claims relating to the payment for electrical energy and/or other services provided by the Cooperative, that are not resolved by agreement of the parties, shall, at the request of either party, be resolved by binding arbitration. If the arbitration involves a sum in excess of \$100,000.00, there shall be three (3) arbitrators, one (1) picked by each party and a third selected by the two (2) arbitrators selected by the parties. In the event the dispute involves less than \$100,000.00, there shall be one (1) arbitrator. If the parties cannot agree on an arbitrator, the determination shall be made by the

Minnesota District Court in Nobles County, Minnesota. The arbitration shall take place in Nobles County, Minnesota, or at any other place as agreed by the parties, under and pursuant to The Uniform Arbitration Act in Minnesota Statutes, Chapter 572B, or any successor provisions. The determination of any dispute in arbitration shall be governed by the laws of the State of Minnesota, including, but not limited to, the Frye-Mack Standard, and not the Daubert Standard, with respect to experts testimony. The cost of the arbitrators and filing fees shall be shared equally by the parties.

All disputes between the parties must be arbitrated individually, and not through a Class Action.

Based on the membership enacting this binding arbitration provision as a means of dispute resolution, each member of the Cooperative, by virtue of membership, agrees to arbitrate any and all disputes according to the Bylaws, and the regulations, procedures, and policies established from time to time by the Board of Directors, and further agrees to abide by and perform any awards made hereunder. This agreement to arbitrate disputes shall survive any withdraw from or termination of a member's membership in the Cooperative.

ARTICLE II Members' Meetings

Section 1. Annual Meeting. The annual meeting of the members of this Cooperative shall be held annually at the principal place of business of this Cooperative, or at such other place conveniently located within the area served by it, and at such date and hour, as may be determined by the Board of Directors and designated in the notice of the meeting.

Section 2. Notice of Annual Meetings. The notice of the annual meeting shall be given by:

- a. mailing the annual members' meeting notice to each member at the member's last known post office address as it appears on the records of the Cooperative; or
- b. publication in a legal newspaper published in the county of the principal place of business of the Cooperative; or
- c. publication in a magazine, periodical, or other publication of the Cooperative that is regularly published by or on behalf of the Cooperative and circulated generally among members.

The notice of the annual meeting must be published at least two (2) weeks before the date of the meeting or election or mailed at least fifteen (15) days before the date of the meeting. Upon the mailing of the notice of the annual meeting of members, the Secretary shall execute a certificate setting forth a correct copy of the notice and showing the date of the mailing thereof and that the same was mailed within the time and in the manner herein prescribed. Said certificate shall be made a part of the record of the meeting.

Section 3. Special Meetings. Special meetings of the members may be called at any time by a majority vote of the directors or upon the written petition of at least twenty percent (20%) of the members as provided by law.

Section 4. Notice of Special Meetings. Notice of the time, place, and purpose of a special meeting shall be given by:

- a. mailing the special members' meeting notice to each member personally (or, in the case of legal entity, to the secretary or the designated representative thereof) at the member's last known post office address as it appears on the records of the Cooperative; or
- b. publication in a legal newspaper published in the county of the principal place of business of the Cooperative; or
- c. publication in a magazine, periodical, or other publication of the Cooperative that is regularly published by or on behalf of the Cooperative and circulated generally among members.

The special members' meeting notice shall state the time, place, and purpose of the special members' meeting, and shall be issued within ten (10) days from and after the presentation of

a members' petition. The special members' meeting must be held by thirty (30) days after the date of the presentation of the members' petition.

Section 5. **Failure to Receive Notice.** The failure of any member to receive notice of an annual or special meeting shall not invalidate any action which may be taken at such meeting.

Section 6. **Mail Votes.** Any member who is absent from any meeting of the members may vote by mail upon any election, motion, resolution, or amendment submitted to the members for vote in the manner prescribed by Article I, Section 9.

Section 7. **Quorum.** A quorum necessary to the transaction of business at any meeting of the members shall be at least ten percent (10%) of the total number of members in this Cooperative when the number of members in this Cooperative does not exceed five hundred (500), but when the Cooperative has a larger number of members, fifty (50) members present shall constitute a quorum; provided, however, that in determining a quorum on a question submitted to a vote by mail, members present in person or represented by mail votes shall be counted. The quorum 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 the meeting. If an insufficient number of members are present to constitute a quorum, a majority of the members present may adjourn the meeting without further notice; provided a new notice is mailed or published as required by law specifying the time and place of the adjourned meeting.

Section 8. **Voting.** At all meetings of the members at which a quorum is present, all questions shall be decided by a vote as provided in Article I, Section 9 by 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.

Section 9. **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 or special 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 Board of Directors

Section 1. Election of Directors

- a. **General Powers.** The business and affairs of this Cooperative shall be governed by a board of seven (7) directors who shall exercise all of the powers of the Cooperative.

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, and the enactment, revision, modification and repeal by resolution of rules, regulations, and practices to govern the conduct, behavior, and activities of candidates for election to the Board of Directors or to the Nominating Committee as the Board of Directors, in their discretion, deems to be in the best interest of the Cooperative.

- b. **Districts.** The assigned service territory of this Cooperative shall be divided into seven (7) districts and there shall be one (1) director residing in each of said seven (7) districts and said director must also reside within the Cooperative's service area. The districts shall be as follows:

Township, County and State

District 1: Townships of Ellsborough, Skandia, Lake Sarah, Shetek, and Holly of Murray County; Township of Aetna of Pipestone County; Township of Hope of Lincoln County; Townships of Shelburne, Rock Lake, Custer, and Monroe of Lyon County; Township of Springdale of Redwood County; and Township of Ann of Cottonwood County, all in the State of Minnesota.

District 2: Townships of Cameron, Lowville, Mason, Chanarambie, Leeds, Slayton, Moulton, and Fenton of Murray County; and Townships of Rock, Burke, and Osborne of Pipestone County, all in the State of Minnesota.

District 3: Townships of Murray, Dovray, Lime Lake, Des Moines River, and Belfast of Murray County; Townships of Westbrook, Rosehill, and South Brook of Cottonwood County; Townships of Seward and Graham Lakes of Nobles County; and Township of LaCrosse of Jackson County, all in the State of Minnesota.

District 4: Townships of Battle Plain and Vienna of Rock County; and Townships of Leota, Wilmont, Lismore and Larkin of Nobles County, all in the State of Minnesota.

District 5: Townships of Magnolia and Kanaranzi of Rock County; and Townships of Westside, Olney, Dewald, Grand Prairie, Little Rock, and Ransom of Nobles County, all in the State of Minnesota; and Townships of Midland, Elgin, and Viola, all in the State of Iowa.

District 6: Townships of Summit Lake, Elk, Hersey, Worthington, Lorain, Bigelow, and Indian Lake of Nobles County; and Townships of Alba, Ewington, and Round Lake of Jackson County, all in the State of Minnesota; and Townships of Wilson and Horton in the State of Iowa.

District 7: Townships of Iona and Bondin of Murray County; and Township of Bloom of Nobles County, all in the State of Minnesota.

Any territory served by this Cooperative and not included in any of the above districts shall be considered a part of the district in which the township adjacent to said territory is included.

The "At-Large Director" elected at the 2015 annual meeting of the members of this Cooperative shall be the Director representing District 7 and shall serve as the director for District 7 until said Director's term has expired and his respective successor is duly elected.

c. **Eligibility.** To become and remain a director, a person must be a member of the Cooperative, except that no member shall be eligible to become or remain a director of the Cooperative who:

- (1) 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;
- (2) is not a bona fide resident of the district from which the member is elected or for which the member 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 the member is a candidate for at least nine (9) months each calendar year);
- (3) is in any way employed by or substantially financially interested in an enterprise substantially competing with the Cooperative or any cooperative-affiliated business;
- (4) 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;
- (5) within three (3) years preceding a director candidate's nomination was a full-time employee of the Cooperative;
- (6) is a grandparent, parent, spouse, co-habitant, child, or grandchild of an incumbent who is not up for reelection at that time;

- (7) is a grandparent, parent, spouse, co-habitant, child, or grandchild of an employee of the Cooperative;
- (8) is or becomes the full-time employee or agent or, who is or becomes the full-time employer or principal of, another director;
- (9) does not have the capacity to enter legally binding contracts;
- (10) unless excused for good cause by the Board is absent from three (3) or more regular meetings of the Board of Directors during any calendar year;
- (11) is, becomes, or shall have been within five (5) years precedent a director's nomination, employed by a labor union which represents, or has represented, or has endeavored to represent, any employees of the Cooperative.

A member that is an authorized farming entity listed in Minnesota Statutes, Section 500.24, Subdivision 2 may select an individual member residing on or actively operating the farm to be eligible for election to the Board; and a member that is legal entity, other than an authorized farming entity, may select a natural person residing in the service territory of the Cooperative to be eligible for election to the Board.

With regard to the provisions in paragraphs (6) and (7) 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.

d. Nominating Committee. The Nominating Committee shall be comprised of seven (7) members of this Cooperative. One member of said committee shall reside in each district. No director nor any officer nor any employee of this Cooperative shall be a member of said committee. The six (6) current members of the Nominating Committee shall continue to serve as nominators for District 1 through and including District 6 and the term for each nominator shall expire at the date of the annual meeting of the members held in the year specified below when the successor to each nominator shall be elected:

District 1	2019	District 4	2018
District 2	2019	District 5	2017
District 3	2017	District 6	2018

After the 2016 annual meeting of the members of this Cooperative, the Board of Directors shall appoint a nominator for District 7 who shall serve as a nominator for District 7 for a one (1) year term. Upon the expiration of said one (1) year term, the members at the 2017 annual meeting shall elect the nominator for District 7 for a three (3) year term.

After the three (3) year term of each nominator expires, a successor for each nominator shall be elected for a three (3) year term at the annual meeting of the members held in the year in which said nominator's term expires. Four (4) members of the Nominating Committee shall constitute a quorum.

Any vacancies on the Nominating Committee shall be filled by a majority vote of the Board of Directors and said successor nominator shall serve until the next annual

meeting or until a successor nominator shall have been elected.

- e. **Nominations for Directors and Nominators.** At least forty-five (45) days prior to the annual meeting, the Nominating Committee shall prepare and post at all offices of the Cooperative a list of directors to be elected and a list of nominators to be elected, each listing separately at least two (2) nominees for each director position to be filled by election at the annual meeting, and at least two (2) nominees for each nominator position to be filled by election at the annual meeting. If the Nominating Committee is unable to secure at least two (2) nominees for each director and/or each nominator position to be filled at said election, then the Nominating Committee on said posting shall include a statement that "After a diligent search only the nominee listed could be secured as a candidate."

Any fifteen (15) or more members may make additional nominations for a director and/or a nominator designating the district for which said nomination is made in writing over their signatures not less than twenty-five (25) days prior to the annual meeting, and the Secretary shall post the same at the same places where the list of nominations made by the Nominating Committee is posted.

If any director is removed from office at any meeting of the members in accordance with Article I, Section 11, then the members may, without complying with this subsection (e), elect at said meeting a successor to the removed director. Nothing in this subsection (e) shall affect the validity of any election.

- f. **Elections.** Each member who is personally present at said annual meeting or by mail ballot as provided in Article I, Section 9, may vote for one nominee for each director's position and for one nominee for each nominator's position then being elected. A member who claims that a ballot was not received by such member, or that the ballot received by such member was thereafter lost, damaged, or destroyed, shall not be entitled to a replacement ballot. The nominee for each director position and the nominee for each nominator position who receives a plurality of the votes cast at said annual meeting shall then and there be elected to the office of director or to the position of nominator. In the case of a tie vote, the winner shall be determined by a flip of a coin.
- g. **Terms.** Directors and nominators shall be elected for regular terms of three (3) years each and shall serve until their respective successors have been duly elected and qualified.

Section 2. Director Vacancies. Subject to the provisions of these Bylaws with respect to the removal and replacement of a director by the members:

- a. If the office of any director becomes vacant, the remaining directors by a majority vote may appoint a successor. A director appointed to fill a vacancy shall hold office until the next annual members' meeting or election date, or until a successor shall have been elected and qualified.
- b. If a director becomes totally incapacitated, which shall be determined to a reasonable medical certainty, the remaining directors may declare that vacancy exists and appoint a director who shall serve until the next annual members' meeting or election date, or until a successor has been elected or qualified.
- c. If a director is absent without cause from three (3) regular board meetings within any one (1) year period, the remaining directors may declare that a vacancy exists and appoint a director who shall serve until the next annual members' meeting or election date, or until a successor has been elected and qualified.
- d. Any director applying for employment at the Cooperative is required to submit a letter of resignation from the Board of Directors with their employment application; and the remaining directors shall declare the position vacant and shall appoint a successor to hold office until the next annual members' meeting or election date, or until a successor shall have been elected and qualified.
- e. After the Board of Directors determines that a director or a nominee for director lacks eligibility under the provisions of these Bylaws, it shall be the duty of the Board to promptly make a disqualification, or if the Board of Directors determines that any person being considered for or already holding a directorship lacks eligibility, it shall be the duty of the Board to withhold the position from such person or to cause a director to be

removed therefrom, as the case may be, and to fill the vacancy is provided in subdivision (a) of this section.

Section 3. **Meetings of Directors.**

- a. **Regular Meetings.** Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may determine and upon such notice as the Board of Directors may prescribe which notice shall state the time and place of said meeting.
- b. **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.
- c. **Notice of Special Meetings.** Notice of time, place, and purpose of any special meeting of the Board of Directors shall be given at least five (5) days prior thereto, by written notice, delivered personally or by electronic mail to each director at the director's 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.
- d. **Attendance of 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 or any business because the meeting shall not have been lawfully called or convened.
- e. **Quorum.** A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of the directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time, provided further that a new notice is given to board members specifying the time and place of such adjourned meeting.
- f. **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.
- g. **Participation in Meetings by Means of Remote Communication at the Discretion of the Board of Directors.** 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.

Section 4. **Compensation.** Directors shall receive reasonable compensation for service to the Cooperative as determined by resolution of the Board of Directors.

Section 5. **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 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 (USDA). 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 conditions of the Cooperative as of the end of the fiscal year. Such audit report, or a summary of said report, shall be submitted to the members at the following annual meeting.

Section 6. **Borrowings.** The Board of Directors shall have power, which may be exercised only by a vote of a majority of all of the directors, to authorize and approve the borrowing of money and the pledging and mortgaging of any or all of the assets of this Cooperative as security for the sums so borrowed.

Section 7. **Corporate Seal.** The Board of Directors may adopt, alter, or abandon the use of a corporate seal.

Section 8. **Executive Committee.** The Board of Directors may appoint an Executive Committee of not less than three (3) directors, one of whom shall be the President. Such committee shall not have any authority either:

- a. to fill any vacancy either in any elective office or in its own membership or in the Board of Directors, or
- b. to employ or discharge any manager for this Cooperative, or
- c. to call any meeting of the members, or
- d. to meet or otherwise to act at any time when either the Board of Directors or the members are holding a meeting, or
- e. to do anything which is required by law to be done only by the Board of Directors and which said Board cannot lawfully delegate to such a committee; but said committee shall have such other powers and duties as the Board of Directors may delegate to or require of it.

Section 9. **Indemnification.** 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 a belief that the acts or omission were in the best interest of the Cooperative. The Cooperative may purchase insurance to cover such indemnification.

Section 10. **Limitations on Former Director Becoming Employed by the Cooperative.** No director shall be eligible to be employed by the Cooperative, either on a part-time or a full-time basis, or as an independent contractor, consultant, or in any other such similar contractual arrangement until at least three (3) years have expired since the last date said person was a director of the Cooperative.

ARTICLE IV Officers

Section 1. **Election of Officers.** The Board of Directors shall meet, either immediately after each annual meeting of the members of this Cooperative, or if said meeting cannot be held at such time then as soon thereafter as conveniently may be, but such meeting shall be held before the first meeting of the Board of Directors to be held after the annual meeting to elect from among the directors a President, Vice President, Secretary and Treasurer. The offices of Secretary and Treasurer may be held by the same person and, when so held, may be termed Secretary-Treasurer. The Board of Directors may appoint such additional officers with such titles, powers, and duties, and for such terms, as said Board may determine.

Section 2. **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 instrument 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 3. **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 4. **Secretary.** The Secretary shall:

- a. keep, or cause to be kept, 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 5. 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, or cause to 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 6. 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.

Section 7. 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 8. General Manager. The Board of Directors shall employ a General Manager and fix the manager's compensation and all other terms of the manager's employment. The General Manager shall actively supervise all of the ordinary business of this Cooperative, and shall employ and discharge all other employees of this Cooperative, and shall perform such additional duties and shall have such additional powers as the Board of Directors may require of or may delegate to the manager.

ARTICLE V

Capital Stock and Certificates

Section 1. Stock. No certificates representing the shares of stock of the Cooperative owned by each member will be issued to members by the Cooperative. A person may become a member of this Cooperative upon application and approval of the Board of Directors. The Cooperative shall maintain records of all members. All stock of the Cooperative shall be issued as uncertificated shares with a par value of one-tenth of one cent (1/10¢) per share. Within a reasonable time after the issuance or transfer of an uncertificated share, the Cooperative shall send to the member a written statement containing the following information: the name of the Cooperative and the laws under which it is incorporated, the member's name, the member's ownership of one (1) uncertificated share of stock, that upon request the Cooperative will supply the member with information regarding the member's capital accounts, and that the stock is reacquired by the Cooperative for no payment to the member when a person ceases to be a member.

Section 2. **Transfers.** The shares of stock of this Cooperative shall not be transferable, except with the approval and consent of the Board of Directors of this Cooperative.

ARTICLE VI Earnings Distribution

Section 1. **Interest or Dividends on Capital Prohibited.** The Cooperative shall at all times be operated on a cooperative nonprofit basis for 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. **Capital Furnished by Members.** In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all members will, through their patronage, furnish capital for the Cooperative.

In order to induce patronage and to assure that the Cooperative will operate on a nonprofit basis, the Cooperative is obligated to account on a patronage basis to all its members 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 such 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 members as capital.

The Cooperative is obligated to pay by credits to a capital account for each member 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 the capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record of the capital account of each member.

All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Cooperative corresponding amounts for capital.

Section 3. **Repayment of 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 members' 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 furnished as capital.

Section 4. **Assignment or Transfer.** Capital credited to the account of each member 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 a part of such member's premises served by the Cooperative unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Section 5. **Right to Offset.** The Cooperative shall at no time be required to retire the equity account of any member or the membership capital of any member who has not paid the member's obligations to the Cooperative and the Board may, in its discretion, apply any member's capital pursuant to Section 2 of this article then credited against the unpaid obligations for electric service of the member in the same manner as if the member were deceased.

Section 6. **Early Repayment.** The Board of Directors, at its discretion, shall have the power at any time upon the death of any member who was a natural person, if the legal representatives of the member's estate shall request in writing that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such member immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Section 7. **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 or services shall, insofar as permitted by law, be considered non-operating margins, and treated as shown in Section 8.

Section 8. **Non-operating Margins.** At the discretion of the Board of Directors, funds and amounts, other than operating margins, received by the Cooperative that exceed the Cooperative's costs and expenses may be:

- a. allocated as capital credits to patrons in the same manner as the Cooperative allocates capital credits to members; and/or
- b. used by the Cooperative as permanent, non-allocated capital.

ARTICLE VII Fiscal Year

The fiscal year of this Cooperative shall commence on the first day of January and end on the last day of December in the same year.

ARTICLE VIII Disposition of Property

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

ARTICLE IX
Articles and Bylaws Provisions are a Contract

The members 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 member, and both the Cooperative and the member are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this section of the Bylaws shall be made available on the Web, by E-mail, or U.S. Mail, or upon request to each member of the Cooperative when an application to be a member of the Cooperative has been submitted as required by these Bylaws.

ARTICLE X
Amendments

These Bylaws may be altered, amended, or repealed by the members at any annual or special meeting if approved by a majority of the votes cast, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment, or repeal. Any repeal, amendment, or alteration of Article VIII or of this sentence of this Article X of these Bylaws, however, that results, directly or indirectly, in a change in the member approval requirements for acts described in Article VIII, must be approved by at least twenty-five percent (25%) of all members of the Cooperative, provided that said twenty-five percent (25%) or more is a majority of those votes cast on said repeal, amendment, or alteration. The Board of Directors shall submit any actions referred to in the preceding sentence of this article to a mail vote by the members of the Cooperative.

ARTICLE XI
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."

