

**AMENDED ARTICLES OF INCORPORATION
OF
SOUTH CENTRAL ELECTRIC ASSOCIATION
ST. JAMES, MINNESOTA 56081**

ARTICLE I

Section 1. The name of this Association shall be the South Central Electric Association.

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

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

(b) To assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character, and in connection therewith and for such purposes, to purchase, acquire, lease, sell, distribute, install and repair electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character, and to receive, acquire, endorse, pledge, hypothecate and dispose of notes and other evidences of indebtedness;

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

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

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

(f) To sell and convey, mortgage, pledge, lease as lessor, and otherwise dispose of all or any part of its property and assets;

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

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

Section 3. The principal place of transacting the business of this Association shall be in the County of Watonwan and State of Minnesota in the Township of St. James with a mailing address of St. James, Minnesota.

ARTICLE II

The period of duration of this Association shall be perpetual.

ARTICLE III

Patronage Capital in Connection with Furnishing Electric Energy. The Association shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Association on any capital furnished by its patrons.

In the furnishing of electric energy the Association's operations shall be so conducted that all patrons 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 obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of

operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by the patrons as capital. The Association is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Association shall be set up and kept in such 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 a legal obligation to do so and the patron had then furnished the Association corresponding amounts for capital.

The Board of Directors may, by policy, identify the types and nature of all income other than from the furnishing of electricity (hereinafter 'non-operating income') to be used as a basis for allocation of capital credits to member patrons. Insofar as permitted by law, all net non-operating income shall be used to offset any losses incurred during the current or any prior fiscal year. Any net non-operating income not needed for that purpose, at the board's discretion, (a) may be allocated, in whole or in part, to patrons on a patronage basis, or (b) may be retained, in whole or in part, by the Association as unallocated capital in a reserve account. Capital allocated to members from net non-operating income shall be retired at the discretion and direction of the Board as to timing, method and type of retirement, which may include retirement on a cycle basis different than retirement of capital relative to the furnishing of electric energy.

In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, and the par value of members' shares returned, outstanding capital credits shall be retired without priority on a pro rata basis. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Association will not be impaired thereby, the capital then credited to the patrons' account may be retired in full or in part. The Board of Directors shall determine the method, basis, priority, and order of making such retirements. The Board of Directors shall have the power to adopt rules providing for the separate retirements of that portion (power supply portion) of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Association by an organization furnishing electric service to the Association. Such rules shall:

- (a) establish a method for determining the power supply portion and other capital credits portion credited to each patron for each applicable fiscal year;
- (b) provide for separate identification on the Association's books of the power supply portion and other capital credits portion of capital credited to the Association's patrons;
- (c) provide for appropriate notification to patrons with respect to the power supply portion and other capital credits portion of capital credited to their accounts; and
- (d) preclude a general retirement of the power supply portion and other capital credits portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to any patrons for any prior fiscal year.

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

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

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

ARTICLE IV

The highest amount of indebtedness to which this Cooperative will at any time be subject shall be determined by the Board of Directors by resolution from time to time.

ARTICLE V

Section 1. The government of this Association and the management of its affairs and business shall be vested in a Board of Directors consisting of seven members, who shall be elected by ballot by the members for such terms as the By-Laws may prescribe at the annual meeting of the members.

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

ARTICLE VI

Section 1. Any person may become a member of this Association by agreeing to purchase electric energy furnished by this Association and complying with the membership requirements set out in the Bylaws.

Section 2. The By-Laws of this Association may define and fix the duties and responsibilities of the members, officers and directors, and may also contain any other provision for the regulation of the business and affairs of this Association not inconsistent with these Articles of Incorporation or the Laws of the State of Minnesota.

ARTICLE VII

The fiscal year of this Association shall begin on the first day of January, in each year, and end on the thirty-first day of December, of each year.

ARTICLE VIII

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

SOUTH CENTRAL ELECTRIC ASSOCIATION BY-LAWS

ARTICLE I

Membership

Section 1. Requirements for Membership. Any natural person, firm, association, corporation, business, trust, partnership, limited liability company, state, state agency or state political subdivision, the United States of America or any federal agency or federal political subdivision or other body politic (collectively, 'person') may become a member of this South Central Electric Association hereinafter called the 'Cooperative' by:

- (a) making a written application for membership therein;
- (b) agreeing to purchase from the Cooperative electric energy as hereinafter specified;
- (c) agreeing to comply with and be bound by the articles of incorporation and By-Laws of the Cooperative and any rules and regulations adopted by the Board of Directors; and
- (d) such membership shall be issued in the name of a single individual, firm, association, partnership, corporation, or body politic or subdivision thereof; and there shall be no joint membership;

provided, however, that no person, firm, association, partnership, corporation or body politic or subdivision thereof shall become a member unless and until he or it has been accepted for membership by the Board of Directors. No member may hold more than one membership in the Cooperative, and no membership or any right or privilege associated with said membership in the Cooperative shall be transferable, without the prior consent and approval of the Board of Directors.

Section 2. Service Fees. A fee for each service connection and each service disconnection may be charged by the Cooperative in accordance with the policies established by the Board of Directors.

Section 3. Purchase of Electric Energy. Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefore monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished as provided in these By-Laws. Regardless of the amount of electric energy consumed, each member shall pay to the Cooperative at least the minimum amount per month as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

Section 4. Termination of Membership. (a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors of the Cooperative, may, by the affirmative vote of not less than two-thirds (2/3) of all of the Directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, By-Laws or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Secretary of the Cooperative that such failure make him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by vote of the Board of Directors when all obligations to the Cooperative have been fulfilled. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or a member who has ceased to purchase energy from the Cooperative, shall be canceled by the Board of Directors.

(b) Upon the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

(c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owing from the member to the Cooperative.

Section 5. Non-Liability for Debts of the Cooperative. The 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.

ARTICLE II

Meetings of Members

Section 1. Annual Meeting. The annual meeting of the members shall be held between February 15 and April 15 of each year, hereafter, at such time and place in the service area of the Cooperative, as shall be determined by the Board of Directors, for the purpose of electing Directors, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. Notice stating the place, day and hour of such meeting and the purpose of such a meeting, when business requiring special notice is to be transacted, shall be given by the Secretary as hereinafter provided. It shall be the responsibility of the Board of Directors to make adequate plans and preparations for the annual meeting. 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 majority vote of the Directors of the Cooperative or upon the written petition of at least twenty

percent (20%) of the members, in which case it shall be the duty of the President of the Cooperative to cause such notice to be given, as hereinafter provided. Such special meeting shall be held in the County of Watonwan, State of Minnesota, at the place designated in the notice thereof. The notice shall state the time, place and purpose of the special meeting and shall be issued within ten (10) days from and after the date of the presentation of such petition and such special meeting shall be held within thirty (30) days from and after the date of the presentation of the petition.

Section 3. Notice of Members' Meeting. Notice of any meeting of members shall be written or printed and, shall be delivered not less than fifteen (15) days before the date of the meeting, either personally or by mail to each and every member. If mailed, such notice shall be deemed delivered when deposited in the United States mail, addressed to the member at his 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 such meeting.

Section 4. Quorum. At least ten percent (10%) of the total number of members in the Cooperative when the number of members in the Cooperative does not exceed five hundred (500) shall constitute a quorum for the transaction of business at all meetings of the members. In case the total number of members exceeds five hundred (500), not less than fifty (50) persons shall constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice.

Section 5. Establishment of a Quorum. The attendance of a sufficient number of members to constitute a quorum at any meeting of the members shall be established by registration of the members present at such meeting, which registration shall be verified by the President and Secretary and shall be part of the minutes of such meeting.

Section 6. Voting. Each member shall be entitled to one vote upon each matter submitted to a vote at a meeting of the members. All questions shall be decided by a vote of a majority of the members voting thereon in person except as otherwise provided by law, the Articles of Incorporation or these By-Laws. Whenever a vote of the members is required or provided for on any matter, the spouse may vote on behalf of the member unless the member has indicated otherwise to the Association.

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 shall be essentially as follows:

- (a) report on the number of members present in person in order to determine the existence of a quorum;
- (b) reading of the notice of the meeting and proof of the due mailing or delivery thereof, or the waiver or waivers of notice of the meeting, as the case may be;

- (c) reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon;
- (d) election of board members;
- (e) presentation and consideration of and the acting upon reports of officers, Directors and committees;
- (f) unfinished business;
- (g) new business; and
- (h) adjournment.

ARTICLE III

Directors

Section 1. General Powers. The business and affairs of this Association shall be managed by the Board of Directors which shall exercise all the powers of the Cooperative except such as are by law, the Articles of Incorporation, or the By-Laws conferred upon or reserved to the members.

Section 2. Number. The number of Directors of this Association shall be seven (7). Each Director shall be a natural person and a member of this Association and shall be elected by the members at the annual meeting of the members. No member shall be eligible to become or remain a Director or hold any position of trust in this Association who is not a bona fide resident in the area served by this Association.

Section 3. Director Districts Established. The territory served by the Association shall be divided into seven (7) directors districts, numbered 1 through 7, and each district shall be represented by one Director who must be a bona fide resident of the district represented by the Director in order to be nominated and elected to serve as a Director of that district.

The seven director districts shall be established by the Board of Directors within three (3) months of the passage of this amendment. Each Director district shall be bounded by specifically described geographic boundary lines intended to provide generally equivalent representation to all members of the Association. The district boundaries shall be reviewed by the Board at least every ten (10) years and adjusted, if necessary, in order to continue to provide generally equivalent representation to the members.

All Directors shall be elected for a three (3) year term, excepting only a Director elected for a shorter term as a result of a vacancy provided in Section 6 of these Bylaws.

The schedule of the election of Directors for each district shall be as follows:

- a. Districts 5 and 6 at the 2018 Annual Meeting and every three (3) years thereafter;
- b. Districts 1 and 3 at the 2019 Annual Meeting and every three (3) years thereafter;
- c. Districts 2, 4 and 7 at the 2020 Annual Meeting and every three (3) years thereafter; and
- d. All present Directors shall hold office for the balance of their present terms.

Nominations for the election of Directors shall be received from the floor at the Annual Meeting of the members. The election of Directors shall be by ballot and each member shall be entitled to cast one (1) vote and only one (1) vote for each Director to be elected. If there are more than two (2) candidates standing for election for a directorship and no candidate receives a majority of the votes cast, then the two (2) candidates receiving the highest number of votes cast shall stand for election and another vote of the members shall be held. In the case of a tie vote which materially affects the election of a Director, the winner shall be determined by the flip of a coin.

Section 4. Qualifications. No person shall be eligible to become a Director of the Cooperative who:

- (a) is in any way employed by or financially interested in a competing enterprise or a business selling electric energy, or supplies to the Cooperative, or a business primarily engaged in selling electric or plumbing appliances, fixtures or supplies to the members of the Cooperative;

Upon the establishment of the fact that a Director is holding office in violation of any of the foregoing provisions, the Board of Directors shall remove such Director from office.

Nothing contained in this section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

Section 5. Removal of Directors by Members. Any member may bring charges against a Director and, by filing with the Secretary such charges in writing together with a petition signed by at least twenty percent (20%) of the members, may request the removal of such Director by reason thereof. Such Director shall be informed in writing of the charges at least ten (10) days prior to the meeting of the members at which the charges are to be considered and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence in respect to the charges; and the person or persons bringing the charges against him shall have the same opportunity. The question of the removal of such Director shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of

the members at such meeting without compliance with the foregoing provisions with respect to nominations.

Section 6. Vacancies. Subject to the provisions of these By-Laws with respect to filling of vacancies caused by removal of Directors by the members, and subject to the residency requirement for each district, if the office of any Director or Directors becomes vacant the remaining Directors shall have the power to appoint a successor or successors. A Director appointed to fill a vacancy shall serve until the next annual meeting of the members or a special meeting of the members called for the purpose of filling the vacancy.

Section 7. Compensation. Directors as such shall not receive any stated salary for their service. However, as determined by resolution of the members, or in the absence of a resolution of the members by resolution of the Board, the Directors shall receive on a per diem basis a fixed sum for (a) for attending meetings of the Board of Directors, and (b) when such has had prior approval of the Board of Directors, for attending meetings, programs and educational seminars that are sponsored by all organizations of which this cooperative is a member or with which it is otherwise associated, and (c) for the performance of other business of the cooperative. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily, and reasonably incurred in attending such meetings, programs and seminars in performing such business of the cooperative. Pursuant to resolution of the Board of Directors the cooperative may at its expense maintain insurance coverage for the benefit of Directors.

Section 8. A Director shall not be personally liable to the cooperative or its members for monetary damages for breach of fiduciary duty as a Director; provided, that for this provision shall not eliminate or limit the liability of a Director for:

1. For breach of the Director's duty of loyalty to the cooperative association or its members;
2. For acts or omissions not in good faith that involve intentional misconduct or in knowing violation of law;
3. For a transaction from which the Director derived an improper personal benefit; or
4. For an act or omission occurring prior to the date when the provisions in the Articles eliminating or limiting liability become effective.

ARTICLE IV

Meeting of Directors

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this by-law, immediately after, and at such place as the Board determines, the annual meeting of the members. A regular meeting of the Board of Directors

shall also be held monthly and at such time and place, as the board may provide by resolution. Five days written notice shall be given each Director of such regular monthly meetings.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by the President or any three (3) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them.

Section 3. Notice. Notice of the time, place and purpose of any special meeting shall be given at least two (2) days previous thereto, by written notice, delivered personally or mailed, to each Director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed wrapper so addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4. 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 shall be present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 5. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V

Officers

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

Section 2. Election and Term of Office. The officers shall be elected annually by and from the Board of Directors at the meeting of the Board of Directors held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members and until his successor shall have been elected and shall have qualified. A vacancy in any office shall be filled by the Board of Directors for the unexpired portion of the term.

Section 3. Removal of Officers and Agents by Directors. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors.

Section 4. President. The President:

(a) shall be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board of Directors, shall preside at all meetings of the members and the Board of Directors;

(b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise executed; and

(c) 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 5. Vice President. In the absence of the President, or in the event of his inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the power of and be subject to all the restrictions upon the President. The Vice President shall also perform such duties as from time to time may be assigned to him by the Board of Directors.

Section 6. Secretary. The Secretary shall:

(a) keep the minutes of the meeting of the members and of 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 By-Laws or as required by law;

(c) be custodian of the Cooperative records and of the seal of the Cooperative and affix the seal of the Cooperative to all documents, the execution of which on behalf of the Cooperative is under its seal is duly authorized in accordance with the provisions of these By-Laws;

(d) keep a register of the names and post office address of all members;

(e) have general charge of the books of the Cooperative;

(f) keep on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Cooperative containing all amendments thereof, which copy shall always be open to inspection of any 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 to him by the Board of Directors.

Section 7. Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all bonds and securities of the

Cooperative;

(b) be responsible for the receipt of and the issuance of receipts for all moneys due and payable to the Cooperative and for the deposit of all such moneys in the name of the Cooperative in such bank or banks or depositories as shall be selected in accordance with the provisions of these By-Laws; 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 to him by the Board of Directors.

Section 8. Bonds of Officers. The Treasurer and any other officer or agent of the Cooperative charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors at its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

Section 9. Compensation. The compensation of officers, agents and employees shall be fixed by the Board of Directors.

Section 10. Reports. The officers of the Cooperative shall submit at each annual meeting of the members, reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI

Financial Transactions

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of this Association, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of this Association shall be signed by such officer or officers of this Association and in such manner as shall from time to time be determined by a resolution of the Board of Directors.

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

Section 4. Fiscal Year. The fiscal year of this Association shall begin on the 1st day of January in each year and end on the 31st day of December on each year.

ARTICLE VII

Non-Profit Operation

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

Section 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy the Association's operations shall be so conducted that all patrons 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 obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by the patrons as capital. The Association is obligated to pay by credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Association shall be set up and kept in such 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 a legal obligation to do so and the patron had then furnished the Association corresponding amounts for capital.

The Board of Directors may, by policy, identify the types and nature of all income other than from the furnishing of electricity (hereinafter 'non-operating income') to be used as a basis for allocation of capital credits to member patrons. Insofar as permitted by law, all net non-operating income shall be used to offset any losses incurred during the current or any prior fiscal year. Any net non-operating income not needed for that purpose, at the board's discretion, (a) may be allocated, in whole or in part, to patrons on a patronage basis, or (b) may be retained, in whole or in part, by the Association as unallocated capital in a reserve account. Capital allocated to members from net non-operating income shall be retired at the discretion and direction of the Board as to timing, method and type of retirement, which may include retirement on a cycle basis different that retirement of capital relative to the furnishing of electric energy.

In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, and the par value of members' shares returned, outstanding capital credits shall be retired without priority on a pro rata basis. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Association will not be impaired thereby, the capital then credited to the patrons' account may be retired in full or in part. The Board of Directors shall determine the method,

basis, priority, and order of making such retirements. The Board of Directors shall have the power to adopt rules providing for the separate retirements of that portion (power supply portion) of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Association by an organization furnishing electric service to the Association. Such rules shall:

- (a)** establish a method for determining the power supply portion and other capital credits portion credited to each patron for each applicable fiscal year;
- (b)** provide for separate identification on the Association's books of the power supply portion and other capital credits portion of capital credited to the Association's patrons;
- (c)** provide for appropriate notification to patrons with respect to the power supply portion and other capital credits portion of capital credited to their accounts; and
- (d)** preclude a general retirement of the power supply portion and other capital credits portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to any patrons for any prior fiscal year.

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

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

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

ARTICLE VIII

Seal

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

ARTICLE IX

Disposition of Property

Section 1. Sale of Property. The Cooperative may at any meeting of its Board of Directors sell, mortgage, lease or exchange all its property, rights, privileges and franchises upon such terms and conditions as the Board of Directors deem expedient, and for the best interests of the Cooperative, when and as authorized by the affirmative vote of the holders of two-thirds (2/3) members, given at a members' meeting duly called for that purpose, or when authorized by the written consent of the of two-thirds (2/3) 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; provided, however, nothing contained herein shall hinder or prevent the Board of Directors from selling, mortgaging, leasing or exchanging any item, or items of property, either real or personal, when such transaction involved less than all or substantially all, of the property of the Association; 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 and in connection with such borrowing 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 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, all upon such terms and conditions as the Board of Directors shall determine.

Section 2. Disposition on Dissolution. The procedure for dissolution of the Cooperatives shall be for the elected Directors to convert all assets into cash and then allocate the cash in the following order of priority:

- (a) To pay the necessary costs of dissolution.
- (b) To pay any remaining debts of the Cooperative.
- (c) To pay all allocated capital credits.
- (d) Then if any balance remains, it shall be distributed on a pro rata basis between the members and the holders of capital credits.
- (e)

ARTICLE X

Amendments

These By-Laws may be altered, amended or repealed by the affirmative vote of not less than a majority of the members present in person at any annual or special meeting; provided, however, that the By-Laws of this Association shall not be altered, amended or repealed at any meeting of the members unless notice of such proposed alteration, amendment or repeal shall have been contained in the notice of such meeting.

ARTICLE XI

Miscellaneous

Section 1. General Manager. The Board of Directors shall employ a General Manager and fix his compensation and all other terms of his employment. The General Manager shall actively supervise all of the ordinary business of this Cooperative, and shall employ and discharge all other employees of the Cooperative, with the approval of the Board of Directors, and shall perform such additional duties and shall have such additional powers as the Board of Directors may require of or may delegate to him.

Section 2. Waiver of Notice. Any member or Director may waive in writing any notice of a meeting required to be given by these By-Laws. The attendance of a member or Director at any meeting shall constitute a waiver of notice of such meeting by such member or Director except in case a member or Director shall attend a meeting for the express purpose of objection to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 3. Rules and Regulations. The Board of Directors shall have the power to make and adopt such rules and regulations, not inconsistent with laws, the Articles of Incorporation or of these By-Laws, as it may deem advisable for the management of the business affairs of the Cooperative.

Section 4. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, and subject to applicable laws and rules and regulations of any regulatory body shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Services of the United States of America. The Board of Directors shall also, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year.

Section 5. Security Interest in Capital Credits. To secure payment of any amounts owed by a patron or former patron to the Cooperative, including any reasonable compounded interest and late payment fee, determined by the Board of Directors, the Cooperative has a security interest in the capital credits of every patron and former patron. Before retiring and refunding any

capital credits, the Cooperative may deduct from the capital credits any amounts owed to the Cooperative by the patron or former patron including any reasonable compounded interest and late fee determined by the Board of Directors.