

ARTICLES OF INCORPORATION

NORTH STAR ELECTRIC COOPERATIVE, INCORPORATED

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

ARTICLE I

SECTION 1. The name of this Association shall be **North Star Electric Cooperative, Incorporated.**

SECTION 2. That the business of this Cooperative Association shall be to sell electricity and engage in any other lawful business.

SECTION 3. The principal place of transacting the business of this Association shall be in the city of Baudette in the County of Lake of the Woods and State of Minnesota.

ARTICLE II

The period of duration of this Association shall be perpetual.

ARTICLE III

SECTION 1. The amount of the authorized capital stock of this Association shall be fifty thousand dollars (\$50,000) divided into ten thousand (10,000) shares of the par value of five dollars (\$5) each. The shares of the authorized capital stock may be issued from time to time, and shall be paid for at such time or times and in such manner, as the Board of Directors of this Association shall determine, provided, however, that no share shall be issued for less than its par value nor unless the same has been paid for in full in cash or its equivalent and such payment has been deposited with the Treasurer of this Association.

SECTION 2. The ownership of the capital stock in this Association by any individual stockholders shall not exceed the par value of fifty dollars (\$50).

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

SECTION 4. No interest or dividends shall be paid on the capital stock of this Association.

SECTION 5. The Association shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. 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, members and non-members alike, will through their patronage furnish capital for the Association. In order to induce patronage and to assure that the Association will operate on a non-profit basis, the Association is obligated to account on a patronage basis to all its patrons, members and non-members alike, 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 operation, costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by the patrons, members and non-members alike, 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 a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron and the Association shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Association corresponding amounts for capital.

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

In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, and the par value of stockholders' 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 patrons' accounts may be retired in full or in part. The Board of Directors shall adopt a policy that establishes a procedure for the retirement of member and patron capital as authorized by the Articles of Incorporation or by law.

Capital credited to the account of each patron shall be assignable only on the books of the Association pursuant to written instruction from the assigner 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.

The Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Articles, 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 Bylaws shall constitute and be a contract between the Association and each patron, and both 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 (Repealed on 10-12-50)

ARTICLE V

The names and places of residence of the incorporators of this Association who are acting for themselves: Norman Clementson, Clementson, Minnesota; A.N. Grems, Baudette, Minnesota; William Rivard, Baudette, Minnesota; E.R. Bratton, Williams, Minnesota; Joe C.N. Rowell, Baudette, Minnesota; Christ Christianson, Williams, Minnesota; Albert Gillie, Williams, Minnesota; Andrew Grazin, Birchdale, Minnesota; Emil Ramberg, Pitt, Minnesota; Peter Sorenson, Baudette, Minnesota; Nels Hallberg, Spooner, Minnesota.

ARTICLE VI

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 not less than five nor more than eleven members. Unless otherwise provided in the Bylaws, the number of directors shall be nine. Directors shall be elected as provided in the Bylaws by ballot by the stockholders and members for such terms as the Bylaws may prescribe at the annual meeting of the stockholders and members which shall be held once each year, the exact time and place of such meeting to be fixed by the Board of Directors as provided by the Bylaws.

Any vacancy occurring in the Board of Directors may be filled by the remaining members of the board, except as provided by law, or the Bylaws of this Association, and any person elected to fill such vacancy shall hold office until the next annual meeting of the stockholders and members and until his successor shall have been elected and shall have qualified.

SECTION 2. The names and places of residence of those who shall compose the first Board of Directors and who shall hold office until the first annual meeting of the stockholders and until their successors shall be elected and shall have qualified are as follows: Norman Clementson, Clementson, Minnesota; Joe C.N. Rowell, Baudette, Minnesota; A.N. Grems, Baudette, Minnesota; William Rivard, Baudette, Minnesota; E.R. Bratton, Williams, Minnesota; Christ Christianson, Williams, Minnesota; Albert Gillie, Williams, Minnesota; Andrew Grazin, Birchdale, Minnesota; Emil Ramberg, Pitt, Minnesota; Peter Sorenson, Baudette, Minnesota; Nels Hallberg, Spooner, Minnesota.

SECTION 3. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with these Articles of Incorporation or the Bylaws of this Association or the laws of the State of Minnesota, as it may deem advisable for the management, administration and regulation of the business and affairs of this Association.

ARTICLE VII

SECTION 1. Any person, firm, association, corporation, or body politic or subdivision thereof may become a member in the Association by:

- (a) filing a written application for membership therein;
- (b) agreement to purchase from the Association electric energy as hereinafter specified;
- (c) agreement to comply with and be bound by the Articles of Incorporation and Bylaws of the Association and any rules and regulations adopted by the Board of Directors;

Provided, however, that no person, firm, association, 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 or the members.

SECTION 2. Each member shall, as soon as electric energy shall be available, purchase from the Association all electric energy purchased 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 Association 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 the Articles of Incorporation and Bylaws. Each member shall pay to the Association 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.

Each member shall also pay all amounts owed by him to the Association as and when the same shall become due and payable.

Each member shall pay to the Association 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. Each member shall also pay all amounts owed by him to the Association as and when the same shall become due and payable.

SECTION 3. The Bylaws of this Association may define and fix the duties and responsibilities of the stockholders, 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 VIII

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

ARTICLE IX Repealed.

ARTICLE X

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.

ARTICLE XI

To the fullest extent permitted by the Minnesota Business Corporation Act and Cooperative Associations Law as the same exists or may hereafter be amended, a director of this Cooperative shall not be personally liable to the Cooperative or its shareholders for monetary damages for breach of fiduciary duty as a director.

IN TESTIMONY WHEREOF, we have hereunto set our hands and affixed our seals this 30th day of July 1940.

AMENDED AND RESTATED BYLAWS OF NORTH STAR ELECTRIC COOPERATIVE, INC.

The business of the North Star Electric Cooperative Inc., (hereinafter called the "Cooperative") is to sell electricity and engage in any other lawful business at the lowest cost consistent with sound economy and good management.

ARTICLE I MEMBERSHIP

SECTION 1. MEMBERSHIP REQUIREMENTS. Any person or entity that has the legal capacity to enter into a binding contract may become a member of the Cooperative, provided the following procedures are completed:

- a) A written application for membership shall be submitted to the Cooperative for consideration by the Board of Directors;
- b) The applicant shall agree to purchase electric energy from the Cooperative as hereinafter specified in Section 6;
- c) The applicant shall agree to comply with and be bound by the Articles of Incorporation, the Bylaws of the Cooperative and any and all rules and regulations adopted by the Board of Directors and any and all amendments to them; and
- d) The applicant shall have paid the membership fee as hereinafter specified. No member shall hold more than one (1) membership in the Cooperative and membership in the Cooperative shall not be transferable except with the approval and consent of the Board of Directors of the Cooperative.

SECTION 2. APPROVAL OF MEMBERSHIP. All applications for membership shall be submitted to the Board of Directors for consideration. If any application for membership is not approved by the Board of Directors, the applicant shall be duly notified of the action of the Board of Directors.

SECTION 3. JOINT MEMBERSHIP. Any two (2) or more potential qualified members who are residents of the same household 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 survivor(s).
- 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.

SECTION 4. MEMBERSHIP FEE. The Board of Directors shall have the authority to establish or negate the requirement of a membership fee and the dollar amount thereof.

SECTION 5. TERMINATION OF MEMBERSHIP. Any member may withdraw/terminate membership in the Cooperative upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of all the members of the Board of Directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, the Bylaws, or the rules and regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes the member liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by a vote of the Board of Directors or by a vote of the membership at any annual or special membership meeting. The membership of a member who has ceased to purchase energy from the Cooperative, may be terminated by action of the Board of Directors.

Upon the termination, withdrawal, death, cessation of existence or expulsion of a member, the membership of such members shall there-upon terminate. Termination of membership in any manner shall not release a member or a member's estate from any liabilities or debts due the Cooperative.

SECTION 6. 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 therefore at rates and under such rules and regulations which shall from time to time be fixed by the Board of Directors; and
 - 1) 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 interconnected to the Cooperative's system, shall be subject to appropriate regulations as shall be fixed from time to time by the Board of Directors.

SECTION 7. MEMBER GRANTS OF PROPERTY RIGHTS. Each member shall execute and deliver to the Cooperative grants of 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 himself/herself or other members or for the construction, operation and maintenance of the Cooperative's electric facilities.

ARTICLE II RIGHTS AND LIABILITIES OF MEMBERS

SECTION 1. PROPERTY INTEREST OF MEMBERS. Upon dissolution, after,

- a) All debts and liabilities of the Cooperative shall have been paid, and
- b) All capital furnished as member equity through patronage shall have been retired as provided in these Bylaws, then
- c) The remaining property and assets of the Cooperative shall be distributed among the members and former members of record in the proportion which the aggregate patronage of each bears to the total patronage of all members of record during the ten years next preceding the date of filing of the certificate of dissolution.

SECTION 2. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE. The private property of the members shall be exempt from execution or other liability for the debts of the Cooperative and no member shall be liable or responsible for any debts or liabilities of the Cooperative.

ARTICLE III MEMBERSHIP MEETINGS

SECTION 1. ANNUAL MEETING. The annual meeting of the members shall be held once each year within the service area of the Cooperative. The Board of Directors shall establish the date, time and location of the annual meeting. The annual meeting shall be held for the purpose of election of Directors, presentation of reports and a discussion of the business of the Cooperative for the previous year, and such other business or activities of the Cooperative as may properly come before the meeting. It shall be the responsibility of the Board of Directors to arrange adequate facilities, make appropriate plans and preparations for the annual meeting of the Cooperative. Failure to hold the annual meeting at the designated time and date shall not work a forfeiture or dissolution of the Cooperative.

SECTION 2. SPECIAL MEETING. 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 20% (twenty percent) of the members.

SECTION 3. NOTICE OF ANNUAL MEETING.

- a) The Secretary of the Cooperative shall give notice of the annual meeting by:
 - 1) publication in a legal newspaper published in the county of the principal place of business of the Cooperative;
 - 2) by 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 the members; or

- 3) by mailing notice thereof to each member personally, or, in case of an association, to the secretary thereof, at the person's last known post office address.
- b) The annual members' meeting notice must be published at least two (2) weeks before the date of the meeting or mailed at least fifteen (15) days before the date of the annual meeting. If mailed, such notice of the annual meeting shall be deemed to be delivered when deposited in the United States Post Office, Baudette, Minnesota, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage thereon prepaid.

Upon mailing of the notice of the annual meeting, the Secretary of the Board of Directors of the Cooperative shall execute a certificate containing a correct copy of the mailed or published notice; the date of mailing or publishing the notice; and that the same was properly mailed within the time and in the manner prescribed by Minnesota Statute §308A.621. This mailing certificate shall be made a part of the record of the annual meeting. Failure of any member to receive such notice of annual meeting shall not invalidate an action which may be taken by the membership at such annual meeting.

SECTION 4. NOTICE OF SPECIAL MEETING. It shall be the duty of the President of the Cooperative to cause notice of the special meeting of the membership be given in the same manner as provided for the annual meeting. 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 a membership petition, and such special meeting shall be held within thirty (30) days from and after the date of the presentation of the membership petition.

SECTION 5. QUORUM. At any regular or special meeting of the membership of the Cooperative, fifty (50) members present shall constitute a quorum. In determining a quorum at any meeting, on a question submitted to a vote by mail, members present in person or represented by mail vote shall be counted.

The fact of the attendance of sufficient number of members to constitute a quorum shall be established by a registration of the members of the Cooperative present at such membership meeting, which registration shall be verified by the President and Secretary of the Board of Directors of the Cooperative and shall be reported in the minutes of the meeting. No action shall be valid or legal in the absence of a quorum at the membership meeting at which such action may be taken.

SECTION 6. VOTING PRIVILEGES. Each member of the Cooperative shall be entitled to only one (1) vote upon each matter submitted to a vote of the membership at the annual or a special meeting of the membership. Each member of the Cooperative shall be entitled to only one (1) vote in person or by mail as so provided in these Bylaws. 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. A joint membership shall be classified for voting as a partnership. A partnership, association, corporation, or body politic of subdivision thereof shall be entitled to only one (1) vote upon each matter submitted to a vote of the membership. The individual representing the same shall before the membership meeting declare his or her voting rights by certification. Voting by proxy is prohibited. All matters shall be decided by a vote of a majority of the members voting thereon at such meeting in person or by mail as so provided in these Bylaws.

SECTION 7. VOTING BY MAIL.

- a) If the Board of Directors shall so authorize by resolution, any member who is absent from a meeting of the membership of the Cooperative may vote by mail on the ballot (an "Absentee Ballot") herein prescribed upon any motion, resolution, or amendment, or director election which the Board of Directors may in its discretion submit to the membership for a vote by them.
- b) Such ballot may be in the form prescribed by the Board of Directors of the Cooperative and shall contain:
 - 1) the exact text of the proposed motion, resolution or amendment to be acted upon at the membership meeting and date of the meeting;
 - 2) the names of the candidates, submitted by the members via petition, for the director position(s) to be filled; and
 - 3) the spaces opposite the text of the motion, resolution, or amendment, or candidate's name, in which such member may indicate the member's affirmative or negative vote thereon.
- c) The member shall express a choice by marking an "X" in the appropriate space upon such ballot. Such member shall mail or deliver the ballot to the Cooperative in a plain, sealed envelope inside another envelope bearing the member's name.
- d) Any material soliciting approval of any action by Absentee Ballots must:
 - 1) contain, or be accompanied by, a copy or summary of such proposed action;
 - 2) indicate the number of responses needed to meet the member quorum;
 - 3) state the percentage of approvals necessary to approve the action; and
 - 4) specify the time by which the Cooperative must receive the completed mailed Absentee Ballot.
- e) A properly executed Absentee Ballot received on or before the date of the members' meeting shall be accepted by the Board of Directors and counted as the vote of the absent member at the meeting.
- f) 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. An individual may represent no more than one such member, but may also vote as an individual if he or she is a member individually.
- g) A majority of the member votes cast, either in person or by mail, shall determine the passage of any motion, resolution, or amendment submitted to the membership. The candidate receiving a plurality of the votes cast, either in person or by mail, for each directorship shall be elected.

SECTION 8. ORDER OF BUSINESS. The order of business for all membership meetings of the Cooperative shall be established by the Board of Directors.

SECTION 9. Each Director, officer, employee or agent of the Cooperative now or hereafter serving as such, shall be indemnified by the

Cooperative against any and all claims and liabilities including reasonable settlements to which he or she has or shall become subject by reason of serving or having served in such capacity, or by reason of any action alleged to have been taken, omitted, or neglected by him or her as such Director, officer, employee or agent; and the Cooperative shall reimburse each such person for all legal expenses reasonably incurred by him or her in connection with any such claim or liability, provided, however, that no such person shall be indemnified against, or be reimbursed for any expense incurred in connection with, any claim or liability arising out of his or her own willful misconduct or gross negligence.

Any questions as to the above rights and responsibilities shall be finally resolved by Directors not a party to the claim, the shareholders or an opinion by independent counsel.

The Cooperative shall have power to purchase insurance covering such liability and expense, whether or not it could have power to indemnify such Director, officer, employee or agent under law, contract or by this bylaw.

It is intended reasonable advances may be made on such indemnity, and that the burden of proof of lack of entitlement be on any objector. If any part of these provisions shall be held ineffective, this shall not affect the balance, and in no case shall indemnification be less than provided or permitted to the full extent of the law.

ARTICLE IV BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the Cooperative shall be governed by a Board of Directors of seven (7) members which shall exercise all powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members.

SECTION 2. ELECTION AND TENURE OF OFFICE. It shall be the responsibility of the Board of Directors to establish an election schedule for the Directors that shall lend itself to fair representation and easy administration. The Directors to be elected at each annual meeting shall serve a term of four (4) years, or until their successors shall have been elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of Directors.

SECTION 3. QUALIFICATIONS. All persons eligible to become or remain a Director of the Cooperative shall:

- a) be a member in good standing of the Cooperative receiving electric service at the member's primary residence in the district from which the Director is to be elected prior to being nominated for Director;

For purposes of these Bylaws "primary residence" shall mean the residence that is the chief or main residence of the person and where the person actually lives for the most substantial portion of the year.

- b) have voting rights within the district from which the Director is to be elected;
- c) not be employed by, materially affiliated with or have a material financial interest in, any Director, individual or entity which either is:
 - 1) directly or substantially competing with the Cooperative; or
 - 2) selling goods and services in substantial quantity to the Cooperative; or
 - 3) possessing a substantial conflict of interest with the Cooperative;

For purposes of this section, the terms "material" or "substantially" shall be interpreted as constituting a minimum of 5% of a member's total hours of employment sales or income on an annual basis.

- d) not be an employee or not have been an employee of the Cooperative within the last three (3) years;
- e) not be a close relative of an employee, where as found in these Bylaws "close relative" means any individual who is, either by blood, law, or marriage, including step, half, foster and adoptive is either a spouse, child, grandchild, parent, grandparent, brother or sister;
- f) be only one, and not more than one, member of a joint membership; provided, however, that none shall be eligible to become or remain a Director or to hold a position of trust in the Cooperative unless all shall meet the qualifications hereinabove set forth;
- g) if a representative or agent of a member is not a natural person, i.e. a corporation, partnership, limited liability company, or similar, then the representative or agent designated as a nominee for Director shall be an individual residing within the external boundaries of the district from which the member is nominated;
- h) agree to regularly attend all board, annual and special members' meetings, and in no case have more than four (4) absences unexcused by the Board within a twelve (12) month period of time; and
- i) not have been convicted of a felony.
- j) **Exceptions.** In regard to the restrictive provisions of this section that are based upon close relative relationships, no incumbent Director shall lose eligibility to remain a Director or to be re-elected a Director if, during a Director's incumbency, a Director becomes a first kindred relative of another incumbent Director or of a Cooperative employee because of a marriage or an adoption to which the Director was not a party.
- k) **Disqualification.** After the Board of Directors determines that a 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.

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 4. DIRECTOR DISTRICTS. The service area of the Cooperative shall be divided into seven (7) districts, each of which shall contain as nearly as possible the same number of members being served by the Cooperative. Each district so established shall be represented by one (1) Director, who is a bona fide resident of the particular district the Director is to represent on the Board of Directors of the Cooperative. The Board of Directors shall review the composition of the districts every year and if it is determined that substantial inequities in membership representation have developed which should be corrected by re-delineation of the districts, the Board of Directors shall reconstitute the boundaries of the districts, so that each district shall contain as nearly as possible the same number of members and a

report of the action of the Board of Directors shall be submitted to the membership at the annual meeting.

SECTION 5. NOMINATIONS. The procedures and methods of nominating candidates for election as a Director of the Cooperative is by nomination by petition. Any twenty (20) or more members of a district of the Cooperative may make nominations in writing over their signatures not less than sixty (60) days prior to the annual meeting, and the Secretary of the Board of Directors shall post the petition at the principal office of the Cooperative, Baudette, Minnesota, such listing of nominations by petition may be mailed to each member through the medium of the Cooperative newsletter.

SECTION 6. ELECTION OF DIRECTORS. The election of the Directors of the Cooperative shall be by ballot at the annual meeting. The ballot shall list by districts the names of the candidates nominated by petitions properly filed with the Cooperative. All elections shall be conducted on a district basis. Each member of the Cooperative present from a particular district holding an election at the annual meeting shall be entitled to vote for one candidate from the district. The candidate from each district receiving the highest number of votes at the annual meeting shall be declared duly elected as a Director of the Cooperative by the chairman presiding at the annual meeting subject to the provisions listed below. In order to ensure fair elections and accurate counting of ballots cast at membership meetings, the following procedure shall be followed:

1. The President shall appoint at least two members of the Cooperative to count ballots.
2. At least two office employees of the Cooperative shall assist in counting the ballots.
3. The chairman at the annual meeting shall ask for at least two volunteers to assist in collecting ballots and observing the counting.
4. After counting, the ballots shall be placed in a sealed envelope and delivered to the Cooperative Attorney.
5. Any member wishing to challenge the count shall do so orally at the meeting or by certified letter to the attorney or President, to be mailed within six (6) days following the annual meeting at which the election to be challenged was held.
6. Should no member challenge the election within six (6) days, the ballots shall be destroyed and Directors receiving the highest number of votes shall assume their duties. Should a member challenge the election, the President shall call a special meeting of the board within ten (10) days after receiving the challenge. A notice including date, time and place of meeting shall be mailed by certified letter to the candidates concerned, the ballot counters, the election observers and the member challenging the election.
All disputed ballots or counts shall be decided at this meeting by a majority vote of the Board of Directors who were not up for re-election at this meeting.
7. Should a tie exist, a party agreed to by the candidates shall cause a coin to be tossed in the air in a revolving manner. One of the candidates, who is affected by the tie vote, shall call either "heads" or "tails" while the coin is in the air. The coin shall be allowed to fall to the floor and come to a complete rest. The side of the coin facing up shall determine the winner who shall be declared the elected Director.

SECTION 7. FILLING VACANCIES. Subject to the provisions of the Bylaws with respect to the removal of Directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining Directors, and Directors thus elected shall serve until the next regular members' meeting or until their successors shall have been elected or shall have qualified.

SECTION 8. REMOVAL.

By Members:

- a) Members may remove a Director for cause related to the duties of the position of Director and fill the vacancy caused by the removal.
- b) Any member may bring charges against a Director by filing them in writing with the Secretary of the Board of Directors together with a petition signed by at least ten percent (10%) of the members, requesting the removal of such Director in question.
- c) The removal shall be voted upon at the next regular or special members' meeting, and any vacancy created by such removal may be filled by the members at such meeting.
- d) Such board member 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 of the charges; and the person or persons bringing the charges against the board member shall have the same opportunity.

By Directors:

Upon failure of a Director to meet or maintain the qualifications described in these Bylaws, the Board of Directors shall remove a Director at a Board of Directors' meeting and fill the vacancy caused by the removal pursuant to Section 7.

SECTION 9. COMPENSATION. Board members shall not receive any salary for their services as such, except that the Board of Directors may by resolution authorize a fixed sum (per diem) for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board of Directors. If authorized by the Board of Directors, board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem expense allowance by the Board of Directors in lieu of detailed accounting for some of these expenses. No board member shall receive compensation for serving the Cooperative in any other capacity, unless the payment and amount of compensation shall be specifically authorized by vote of the members or the service by the board member shall have been certified by the Board of Directors as an emergency measure.

SECTION 10. BOARD RULES AND REGULATIONS. The Board of Directors shall have the power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Incorporation or these Bylaws as deemed advisable for the government and management of the business and affairs of the Cooperative.

ARTICLE V BOARD OF DIRECTORS MEETINGS

SECTION 1. REGULAR MEETINGS. A meeting of the Board of Directors shall be held without notice, immediately after, and at the same location as, the annual meeting of the members for the purpose of election of officers. A regular meeting of the Board of Directors shall be held monthly at such time and location as established by the Board of Directors. Such regular monthly meetings may be held without notice other than such resolution fixing the time and location thereof.

SECTION 2. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the President or any three (3) board members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The President or the board members calling the meeting shall fix the time and location for the holding of the meeting.

SECTION 3. NOTICE OF SPECIAL BOARD MEETINGS. Written notice of the time, location and purpose of any special meeting of the Board of Directors shall be delivered to each board member either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the board members calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the board member at his or her address as it appears on the records of the Cooperative, with postage thereon prepaid, at least five (5) days before the date set for the meeting.

SECTION 4. QUORUM. A majority of the board shall constitute a quorum. If less than such majority of the board is present at said meeting, a majority of the board present may adjourn the meeting from time to time; and provided further, that the Secretary shall cause any absent board members to be notified of the time and location of such adjourned meeting. Any action by the Board of Directors shall require a majority vote of the board, except as otherwise provided in these Bylaws.

SECTION 5. EMERGENCIES. Any and all Directors may participate in any meeting of the Board of Directors by any means of communication through which the Board of Directors may simultaneously hear and speak to each other during such meeting. For the purpose of establishing a quorum and taking any action, such Directors participating pursuant to this section shall be deemed present in person at the meeting. This section is intended to be utilized only in unusual or emergency situations and not to replace normal attendance at Board of Directors' meetings.

ARTICLE VI OFFICERS

SECTION 1. OFFICERS. The officers of the Cooperative shall be a President (Chairman of the Board of Directors), a Vice President (Vice Chairman), a Secretary and a Treasurer, and such other officers as may be determined by the Board of Directors from time to time and is authorized by law. The offices of Secretary and Treasurer may be held by the same person and when so combined, the Director filling the office shall be known as the Secretary/Treasurer.

SECTION 2. ELECTION. The officers shall be elected annually by and from the Board of Directors at the first meeting of the Board of Directors held after the annual meeting of the members. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting or until the officer's 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. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in their judgment such action would be in the best interest of the Cooperative.

SECTION 4. RESPONSIBILITY AND AUTHORITY. Any one officer, or all officers, or any Director, shall represent the Cooperative in specifically assigned business matters when duly authorized by the Board of Directors, the Articles of Incorporation, the Bylaws and Minnesota Statutes, but not otherwise.

SECTION 5. PRESIDENT. The President shall:

- a) be the principal executive officer of the Cooperative and, unless otherwise determined by the members or the Board of Directors, shall preside as Chairman at all meetings of the members and the Board of Directors;
- b) sign all legal documents for the Cooperative when authorized to act on behalf of the members or the Board of Directors, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to another officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and
- c) in general perform all duties incident to the office of President and such other duties as may be prescribed by the members and the Board of Directors from time to time.

SECTION 6. VICE PRESIDENT. The Vice President shall perform the duties of the President in the absence of the President, or in the event of the President's inability or refusal to act, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties, and have such responsibilities and authority in the business of the Cooperative as from time to time may be assigned to the Vice President by action of the Board of Directors.

SECTION 7. SECRETARY. The Secretary shall:

- a) keep the minutes of meetings of the members and the Board of Directors in one or more books provided for that purpose;
- b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- c) execute certifications of mailed or published meeting notices in accordance with these Bylaws or as required by law;
- d) be custodian of the corporate records and the seal of the Cooperative and see that the seal of the Cooperative is affixed to all documents, the execution of which on behalf of the Cooperative under its seal is duly authorized in accordance with the provisions of these Bylaws;
- e) keep a register of the post office address of each member which shall be furnished to the Secretary by such member;
- f) have general charge of the books of the Cooperative in which a record of the members is kept;

- g) 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 at the expense of the Cooperative, forward a copy of the Bylaws and of all amendments thereto to each member upon request; and
- h) 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.

SECTION 8. TREASURER. The Treasurer shall, through the employees of the Cooperative:

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

SECTION 9. GENERAL MANAGER. The Board of Directors shall employ a General Manager, who shall be the prime agent of the Cooperative, who shall perform such duties, and have such other responsibilities and authority as may from time to time be assigned by action of the Board of Directors.

SECTION 10. FINANCIAL/FIDELITY COVERAGE. The Treasurer, the General Manager and any other officer, agent or agents of the Cooperative charged with the responsibility for the custody of funds, securities and property of the Cooperative shall be insured in such sum with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to be insured in such amount and with such surety as determined by the Board of Directors.

SECTION 11. DELEGATION OF DUTIES. If the board delegates any responsibilities and duties of the officers to employees or agents of the Cooperative, to the extent that the board delegates those duties and responsibilities, the officer whose duties and responsibilities are delegated shall be released from such duties and responsibilities.

ARTICLE VII BUSINESS TRANSACTIONS

SECTION 1. OFFICIAL REPORTS. The officers and agents of the Cooperative shall submit appropriate reports covering the business operations of the Cooperative for the previous fiscal year at the annual meeting of the members. Such reports shall include a report on the financial condition of the Cooperative.

SECTION 2. DEPOSIT OF FUNDS. All funds of the Cooperative shall be deposited in such bank or banks, financial institutions and trust companies as the Board of Directors shall designate and authorize. The funds of the Cooperative shall be withdrawn only upon check or order of the officers, designated agents or employees authorized by the Board of Directors, the Bylaws or by law.

SECTION 3. CHECKS, DRAFTS AND SUCH INSTRUMENTS. All checks, drafts or other orders for payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall be from time to time authorized by appropriate action of the Board of Directors.

SECTION 4. CONTRACTS. Except as otherwise provided in the Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, employee or employees to enter into a contract or execute and deliver any legal instrument in the name of the Cooperative. Such authority may be general or confined to specific authorization as determined by proper action of the Board of Directors.

SECTION 5. ACCOUNTING SYSTEM AND REPORTS. The Board of Directors shall require and cause to be established and maintained a complete accounting system which shall conform to such required accounting system established by the Minnesota Public Utilities Commission and such additional accounting system or procedures required by the Rural Utilities Service or any other lending agency or financial institution under specific loan agreement requirements. The Board of Directors shall after the close of the fiscal year of the Cooperative require and authorize a complete audit of the accounts, records, property, and financial condition of the Cooperative by a licensed certified public accountant employed by a licensed auditing firm. The designated auditing firm shall submit a complete audit of the Cooperative to the Board of Directors for review and a financial report to the members of the Cooperative at the annual meeting.

ARTICLE VIII NON-PROFIT OPERATION

SECTION 1. PATRONAGE CAPITAL. The business operations of the Cooperative shall be so conducted that member and patrons alike will through their patronage furnish capital for the Cooperative. In order to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all members and patrons for all amounts received and receivable from the supplying of electric energy in excess of operating costs and expenses properly chargeable supplying of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members and patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each member and patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each member and patron, and the Cooperative shall within a reasonable time after the close of the fiscal year notify each member and patron of the amount of capital so credited to their account. All such amounts credited to the capital account of any member or patron shall have the same status as though they had been paid to the member or patron in cash in pursuance of legal obligation to do so and the member or patron had then furnished the Cooperative corresponding amounts for capital.

SECTION 2. AUTHORIZATION FOR DISTRIBUTION OF CAPITAL. The net margins, all income received and receivable in excess of operating costs and expenses properly chargeable, of the Cooperative shall be distributed to members and patrons on a patronage basis as authorized by the Board of Directors. The Board of Directors shall adopt a policy which establishes the procedures for handling the allocation and distribution of net margins of the Cooperative. The policy adopted by the Board of Directors shall comply with Minnesota Statutes.

SECTION 3. RETIREMENT OF MEMBER AND PATRON CAPITAL. The Board of Directors shall adopt a policy that establishes a procedure for the retirement of member and patron capital as authorized by the Articles of Incorporation or by law.

SECTION 4. SUBSCRIPTION TO COOPERATIVE'S OFFICIAL PUBLICATION. Fifty cents (50¢) of the amount of capital credits accruing to each member of the Cooperative, each year, shall be used for a subscription for one year to "North Star Electric Cooperative Newsletter," the official publication of the Cooperative. The Board of Directors is hereby authorized to pay such subscription annually for each member out of the amount of capital credited to the account of each member.

ARTICLE IX DISSOLUTION OR LIQUIDATION AND DISPOSITION OF PROPERTY

The Board of Directors may sell property of the Cooperative upon such terms and conditions as it deems appropriate and in the best interest of the Cooperative.

No sale or series of sales of more than twenty-five percent (25%) of the property of the Cooperative shall be effective, however, unless authorized at an annual or special meeting of the members by the affirmative vote of a majority of the entire membership.

ARTICLE X FISCAL YEAR

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

ARTICLE XI MEMBERSHIP

The Board of Directors of the Cooperative may, on behalf of the Cooperative, purchase a membership in any corporation or purchase qualifying share of stock of any corporation which is engaged in or will engage in generating, or transmission, or distribution of electric energy, or a financial institution organized for financing the Cooperative, or a service organization, if the Board of Directors deems it necessary in conducting the business of the Cooperative.

ARTICLE XII SEAL

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

ARTICLE XIII BYLAW AMENDMENTS

The Bylaws of the Cooperative may be amended or repealed by the members of the Cooperative at any special or annual meeting of the members. The notice of the meeting shall contain a copy of the proposed amendment or repeal to be considered at the meeting. If the amendment or repeal is approved by a majority of the votes cast, the amendment or repeal is adopted.

ARTICLE XIV INDEMNIFICATION

The Cooperative shall indemnify such persons, for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as permitted by Minnesota Statutes, Section 302A.521 and Section 308A.325 as now enacted or hereafter amended. To the extent permitted by Minnesota Statutes 302A as now enacted or hereafter amended, the Cooperative may enter into agreements with persons acting for or on behalf of the Cooperative in an official capacity as defined in Section 302A.521, Subd. 1(c), which agreement may exceed the mandatory indemnification parameters of Section 302A.521 as now enacted or hereafter amended.