

Lake Region
Electric Cooperative

Articles of
Incorporation
and Bylaws

Amended June 9, 2007
First printing

**ARTICLES OF AMENDMENT
TO THE ARTICLES OF INCORPORATION OF
LAKE REGION ELECTRIC COOPERATIVE**

The Articles of Incorporation of LAKE REGION ELECTRIC COOPERATIVE are amended and restated as follows:

ARTICLE I

Section 1. The name of this cooperative is LAKE REGION ELECTRIC COOPERATIVE.

Section 2. The business of this cooperative shall be conducted upon the cooperative plan. The cooperative shall have all powers granted to a cooperative under Minnesota law and such additional powers as not restricted by such statutes.

Section 3. The general purposes of this cooperative include but are not limited to the generation, manufacture, purchase, acquisition and accumulation of electric energy and other services and products for its members and patrons, and to transmit, distribute, furnish, sell and dispose of electric energy and other services and products to its members and patrons. The enumeration of the foregoing powers shall not be held to limit or restrict in any manner the general power of this cooperative, and this cooperative shall be authorized to exercise and enjoy all of the powers, rights and privileges granted to and conferred upon cooperatives of the character of this cooperative under laws of the State of Minnesota now or hereafter in force.

Section 4. The registered office and initial principal place of transacting business of this cooperative is 1401 South Broadway, Pelican Rapids, Minnesota 56572-0643.

Section 5. The period of duration of this cooperative shall be perpetual.

ARTICLE II

Section 1. The amount of the authorized capital stock of this cooperative shall be Five Hundred Thousand (\$500,000.00) Dollars, divided into one class of One Hundred Thousand (100,000) shares of the par value of Five (\$5.00) Dollars 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 cooperative 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 cooperative.

Section 2. Individual stockholders (members) shall have one (1) vote in the affairs of this cooperative, and the shares of stock of this cooperative shall not be transferable except with the approval and consent of the Board of Directors of this cooperative.

Section 3. No interest or dividends shall be paid upon capital furnished to this cooperative by its members or patrons.

Section 4. The operating net income and the nonoperating net income in excess of dividends of this cooperative, except for amounts set aside as capital reserves and additional reserves, shall be administered on the basis of patronage as provided in the Bylaws. The records of this cooperative shall show the interest of patrons and members in the reserves.

ARTICLE III

Section 1. The government of this cooperative and the management of its affairs and business shall be vested in a Board of Directors.

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 Bylaws of this cooperative 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 cooperative.

Section 3. The Board of Directors is authorized to do and perform for either itself or its members and patrons 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 purposes of the cooperative or as may be permitted by law under which this cooperative is formed.

Section 4. Members of the Board of Directors shall have no personal liability to the cooperative or its members for monetary damages for breach of fiduciary duty as a director, except that this article shall not limit or eliminate a director's liability:

(a) for a breach of the director's duty of loyalty to the cooperative or its members;

(b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

(c) for a transaction for which the director derived an improper personal benefit; or

(d) for an act or omission occurring prior to the date of adoption of this section.

Section 5. The Board of Directors shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or deed or deeds of trust upon or the pledging and encumbering of any or all the property, assets, rights, privileges, licenses, franchises, and permits of this cooperative, whether acquired or to be acquired, wherever situated as well as revenues and income therefrom, all upon such terms and conditions as the Board of Directors shall determine to secure any indebtedness of the cooperative.

ARTICLE IV

The highest amount of indebtedness to which this cooperative shall at any time be subject shall not exceed One Hundred Million (\$100,000,000.00) Dollars.

ARTICLE V

Section 1. Any person may become a member of this cooperative by becoming the owner of at least one share of its capital stock and by agreeing to purchase electric energy furnished by this cooperative.

Section 2. Each stockholder (member) shall:

(a) purchase the minimum amount of electric energy which such a stockholder (member) has agreed to purchase from this cooperative after such electric energy will have become available for use;

(b) pay all obligations owing to this cooperative as and when the same become due;

(c) comply with such rules and regulations as may be adopted by the Board of Directors of this cooperative.

Section 3. The Bylaws of this cooperative may define and fix the duties and responsibilities of the stockholders (members), officers and directors and may also contain any other provision for the regulation of the business and affairs of this cooperative not inconsistent with these Articles of Incorporation or the laws of the State of Minnesota.

ARTICLE VI

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

IN TESTIMONY WHEREOF, these Articles of Amendment to the Articles of Incorporation have hereunto been approved and the following officers' signatures have been affixed this 15th day of March, 2003.

In presence of:

Robert Roach, chair

Wayne Gunderson, secretary

AMENDMENT TO BYLAWS OF LAKE REGION ELECTRIC COOPERATIVE AS AMENDED JUNE 9, 2007.

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**ARTICLE I
Members**

Section 1. Qualifications and Obligations. Any person, firm, association, corporation, partnership, or body politic, or subdivision thereof may become a member in the cooperative provided that the person or entity does the following:

(a) makes a written application for membership therein;

(b) pays a membership fee or purchase of stock as established by the Board of Directors;

(c) agrees to purchase from the cooperative electrical services or such other products and services furnished by the cooperative;

(d) agrees to comply with and be bound by the Articles of Incorporation and Bylaws of the cooperative and any amendments thereto, and any rules, regulations, requirements, guidelines, procedures, policies, programs, determinations, resolutions or actions adopted, promulgated or approved by the cooperative's Board of Directors or membership.

No member may hold more than one (1) membership or share of stock in the cooperative, and no membership or shareholder in the cooperative shall be transferable, except as provided in these Bylaws.

Section 2. Joint Membership. Any two (2) or more natural persons or entities engaged in a common enterprise may jointly become a member and their application for joint membership may be accepted in accordance with the foregoing provisions of this section and any rules, regulations and policies and, provided they have complied with the conditions of Section I and joint membership, shall be subject to the following conditions:

(a) The presence at a meeting of members of either or both shall be regarded as the presence of one (1) member and shall constitute a joint waiver of notice of the meeting;

(b) The vote of either separately or both jointly shall constitute one (1) joint vote, but a split voting of any membership is not permitted;

(c) A waiver of notice signed by either or both shall constitute a joint waiver;

(d) Notice to either shall constitute notice to both;

(e) Expulsion of either shall terminate the joint membership of each;

(f) Withdrawal of each shall terminate the joint membership of each;

(g) Legal conclusion of the relationship between the joint members shall terminate the joint membership of each; and

(h) Either may be elected or appointed as an officer or board member provided that the candidate meets the qualifications for such office, but both joint members may not serve as directors at the same time.

Section 3. Membership Fee. The par value of a share of stock (hereinafter called the "membership fee") shall be Five (\$5.00) Dollars. The payment to the cooperative of the membership fee shall make a member eligible for one (1) service connection. An additional fee of Five (\$5.00) Dollars shall be paid for each additional service connection requested by a member, but no share of stock shall be issued for such additional fees.

Section 4. Purchase of Electric Energy. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital, and each member shall be credited with the capital so furnished as provided in these Bylaws. Each member shall pay to the cooperative such minimum amount 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 the member to the cooperative as and when the same shall become due and payable. Each member shall grant the cooperative, without cost, easements over or under the member's land for transmission and distribution lines, where necessary.

Section 5. Forfeiture of Membership. The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member who knowingly, intentionally or repeatedly violates a provision of the Articles of Incorporation, Bylaws, and amendments thereto, rules, regulations or policies.

Section 6. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all liabilities of such member to the cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 7. Transfer of Membership.

(a) Membership in the cooperative and the certificate representing the same shall be transferable only with the approval and consent of the Board of Directors except as hereinafter otherwise provided. The cooperative shall have the first right and privilege of purchasing the membership offered for sale by any member. Any membership so acquired by the Board of Directors for the cooperative may be held as a treasury certificate or may be retired and cancelled as may be determined by the Board of Directors. Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the cooperative.

(b) Upon approval and consent of the Board of Directors, a membership may be transferred by a member to himself or herself jointly with another person or persons engaged in a common enterprise subject to other provisions of these Bylaws upon the written request of such member and upon compliance by such other person or persons engaged in a common enterprise. Such transfer shall be made and recorded on the books of the cooperative and such joint membership noted on the original certificate representing the membership so transferred.

(c) When a membership is held jointly by two (2) or more persons or entities, upon death, cessation of existence, expulsion or withdrawal of any of the joint members, such membership shall be deemed to be held solely by the remaining joint member with the same effect as though such membership had been originally issued solely to the remaining joint member, and the joint membership certificate may be surrendered by the remaining joint member and upon the recording of such death, cessation of existence, expulsion or withdrawal on the books of the cooperative, the certificate may be reissued to and in the name of such remaining joint member provided, however, that the estate of the deceased person or successors or assigns of the entity shall not be released from any membership debts or liabilities to the cooperative.

Section 8. Membership Certificates.

(a) Certificate of Membership. Membership in the cooperative shall be evidenced either by a certificate of membership or other form of membership record which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the cooperative or these Bylaws. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued, therefore, upon such terms and such indemnity to the cooperative as the Board of Directors may prescribe.

(b) Issue of Membership Certificates. No membership certificates shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid for in cash.

Section 9. Voting By Members.

(a) Directors. All votes for directors shall be by printed ballot. Not less than fifteen (15) days before an annual meeting of the members, and with the notice of the annual meeting, the secretary of the cooperative shall mail to each member in the districts from which directors are to be elected that year a ballot marked "Ballot for Directors" containing a list of candidates selected at the district meetings for the district in which the member resides or nominated by petition for such district, with the names and addresses (as shown by the records of the cooperative) of the candidates to be arranged in the order of the preference indicated by the respective district vote, with those persons nominated by petition being placed on the ballot in order of nomination and following those candidates nominated at the district meeting.

Any member who is absent from any annual meeting at which a director is to be elected from the district in which the member resides may vote by mail for directors from the district by marking on the ballot an "X" opposite the names of the candidates from the district, voting for only one (1) director from the district, and enclosing the ballot in a sealed, plain envelope inside another envelope (outer envelope), which outer envelope must include the member's name and be certified to and signed by the member so voting and addressed to the secretary. When such ballot so enclosed is received by mail from any absent member, on or before the date of the meeting, it shall be accepted and counted as a vote for directors by ballot of such absent member at such meeting. All votes for directors shall be by printed ballot.

Directors shall be elected by vote only of the members residing in the district to be represented by the director to be elected. The secretary of the cooperative shall at the annual meeting of the members provide a registry which shall be signed by each member as he/she makes his/her appearance, and forthwith upon such registration, the member shall receive the official ballot for election of a director from the district in which the member resides, if such election is to be held at such annual meeting. The ballot shall be voted at the time designated at the annual meeting by the chairman of the board of directors. Each member of a district may vote for one candidate to be elected from his/her district that year, if any.

For purposes of determining residency of a member for voting purposes, a member will be deemed to reside in the district in which the records of the cooperative show the membership of the member is held.

At the annual meeting of the members, the secretary of the cooperative shall place in nomination the names of the official candidates from each district. There shall be no nominations for directors from any district made from the floor at the annual meeting of the members. Each member of the cooperative shall be entitled to one (1) vote for one (1) candidate from the district in which such member resides. The candidate for each district receiving the highest number of votes at the annual meeting from the members residing in the district shall be considered elected as director. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not in any manner whatsoever affect the validity of any election of directors.

(b) Motion, Resolution or Amendment. If there is any motion, resolution or amendment to the Bylaws of the cooperative to be presented for vote before the members, not less than fifteen (15) days before an annual or special meeting of the members and with the notice of the meeting, the secretary of the cooperative shall mail to each member a ballot marked "Ballot for Motion, Resolution or Amendment" containing the proposed motion, resolution or amendment proposed to be voted on placed in the order presented to the Board of Directors.

Any member who is absent from any annual or special meeting of the members may vote upon any motion, resolution or amendment to be acted upon at such meeting. The ballot shall be in the form prescribed by the Board of Directors of the cooperative and shall contain the exact text of the proposed motion, resolution or amendment to be acted upon at such meeting and the date of the meeting, and shall also contain spaces opposite the text of such motion, resolution or amendment in which such member may indicate the member's affirmative or negative vote therein. Such member shall express the member's choice by marking an "X" in the appropriate space upon such ballot and enclosing the ballot in a sealed, plain envelope inside another envelope (outer envelope), which outer envelope must include the member's name and be certified to and signed by the member so voting and addressed to the secretary. When such ballot so enclosed is received by mail from any absent member on or before the date of the meeting, it shall be accepted and counted as a vote by ballot of such absent member at such meeting.

(c) **Member Status.** If the member is a natural person, the outer envelope for each ballot must be signed and certified by that person. If the member is a corporation, the outer envelope for each ballot must be signed and certified by the president or secretary thereof. If the member is a partnership, the outer envelope for each ballot must be signed and certified by a partner designated by the partners to have authority to sign on behalf of the partnership. If the member is not a natural person, a corporation, or a partnership, then a natural person appointed by the entity shall be eligible to sign the outer envelope for each ballot. If any two (2) or more persons or entities hold a joint membership and are absent from any annual or special meeting of the members, they shall jointly be entitled to vote by mail upon the signature of one (1) of the joint members, but only one (1) vote shall be counted from that joint membership and at least one (1) of the joint members must sign the outer envelope for each ballot.

(d) **Ballots.** The failure of any such absent member to obtain a copy of any such ballot or ballots shall not invalidate any action which may be taken by the members at any such meeting.

Such ballots shall be mailed to each member together with the notice of the meeting according to the provisions hereto stated.

Section 10. Voting.

(a) Each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members, except that directors shall be voted upon solely by the members residing in the district in which the member uses a cooperative service at a location within a district from which the directors are nominated. At all meetings of the members at which a quorum is present all questions shall be decided by a vote of a majority of the members voting thereon at such meetings in person or by mail, except as otherwise provided by law, the Articles of Incorporation of the cooperative or these Bylaws. If two (2) or more persons or

entities hold a joint membership, they shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members.

(b) Whenever these Bylaws require or provide for a vote of the members of the cooperative, in person or by mail, the spouse of the member may vote on behalf of and instead of the member unless the member has indicated otherwise.

(c) Where a person reasonably represents himself or herself to be the spouse of a member, the cooperative may rely upon such reasonable representation and need not conduct further inquiry. However, if the cooperative deems it necessary to seek further information as to the identity of the purported spouse and such information is not promptly provided, the cooperative may refuse to accept such person's vote.

(d) A member who wishes to prevent his or her spouse from voting on such member's behalf shall deliver a written, signed and dated notice to the cooperative's office.

Section 11. Official Newspaper. Each member patron of the cooperative shall be a subscriber to the official newspaper of the cooperative. The annual subscription price shall be determined by the Board of Directors.

Section 12. Wiring Standards and Compliance with Codes. Each member shall cause all premises receiving electric service to become and remain wired in accordance with the specifications of the National Electric Code, any applicable state or local government ordinances, and standards established by the cooperative.

ARTICLE II Meetings of Members

Section 1. Annual and Regular Meetings. Annual and regular meetings of the cooperative shall be held in a location as determined by the Board of Directors. There shall be an annual meeting and such other regular meetings as determined by the Board of Directors. The board shall determine the date, time and location of any annual meeting or regular member meeting.

At the annual member meeting, the chair, secretary, and treasurer shall provide a written report, or oral presentation, regarding the cooperative's activities and financial condition. The cooperative's failure to hold an annual meeting or regular member meeting does not affect any action taken by the cooperative.

Section 2. Notice of Annual Meeting. Notice of the annual meeting shall be given by the secretary by publication in the official newspaper of the cooperative for two (2) months prior to meeting, or in a legal newspaper published or circulated in the counties where the cooperative operates at least two (2) weeks previous to the date of such meeting, or by mailing notice thereof to each and every member personally not less than fifteen (15) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the member at the member's address as it appears on the records of the cooperative with postage thereon prepaid. In case of a joint membership, notice

given to any joint member shall be deemed notice to all of the holders of the membership.

Section 3. Special Meetings. Special meetings of the members may be called by a majority of the directors or upon a written petition signed by at least twenty percent (20%) of all the members. Special meetings of the members may be held at any place in the state of Minnesota specified in the notice of the special meeting.

Section 4. Notice of Special Meeting. It shall be the duty of the chair to cause the secretary to give notice of the time, place and purpose of a special meeting, either by publication in the official newspaper of the cooperative for two (2) months prior to the meeting or in a legal newspaper published or circulated in the counties where the cooperative operates at least two (2) weeks previous to the date of such meeting, or by mailing notice thereof to each and every member personally not less than fifteen (15) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the member at the member's address as it appears on the records of the cooperative, with postage thereon prepaid. Such notice shall be issued within ten (10) days from and after the date of the presentation of the written petition for special meeting of members, and such special meeting shall be held within thirty (30) days from and after the date of the presentation of such petition. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such annual or special meeting.

Section 5. Quorum. At least twenty percent (20%) of the total number of members present in person shall constitute a quorum for the transaction of business at all meetings of the members so long as the total number of members does not exceed two hundred (200); however, in determining a quorum at a meeting, on a question submitted to a vote by mail, members present in person or represented by mail vote shall be counted. In case the total number of members exceeds two hundred (200), not less than fifty (50) members, present in person, shall constitute a quorum for the transaction of business at all meetings of the members; however, in determining a quorum at a meeting, on a question submitted to a vote by mail, members present in person or represented by mail vote shall be counted. If an insufficient number of members is present to constitute a quorum, a majority of the members present may adjourn the meeting from time to time without further notice. In case of a joint membership, the presence at a meeting of any one or more holders of the joint membership shall be regarded as the presence of one member.

Section 6. Establishment of a Quorum. The attendance of a sufficient number of members to constitute a quorum at any meeting of the members shall be established by a registration of the members present at such meeting, or by mail ballot, which registration shall be verified by the chair and secretary and shall be reported in the minutes of such meeting.

Section 7. Order of Business. The Board of Directors shall determine the agenda and order of business for member meetings.

Section 8. Resolutions. Any member may introduce a resolution at an annual meeting of the cooperative or at any special meeting of the cooperative so long as said resolution is submitted in written form. Any such resolution that is approved by the members at any such meeting shall not be binding upon the cooperative and shall be advisory only.

ARTICLE III

Directors

Section 1. General Powers. The business and affairs of the cooperative shall be managed by a board of nine (9) directors which shall exercise all of the powers of the cooperative except such as are by law or by the Articles of Incorporation of the cooperative or by these Bylaws conferred upon or reserved to the members.

Section 2. Director Qualifications. Any director or director candidate must comply with this Bylaw.

A. General Qualifications. To become and remain a director, a person must comply with or meet the following general qualifications:

1. Be an individual;
2. Have the capacity to enter legally binding contracts;
3. While a director and during the five (5) years immediately prior to becoming a director, not
 - (a) be, nor have been, convicted of a felony; or
 - (b) plead, nor have pled, guilty to a felony.
4. Unless excused for good cause by the board, attend at least a majority of board meetings during any calendar year;
5. While a director and during the three (3) years immediately prior to becoming a director, not be or become employed by the cooperative; and
6. Comply with any other reasonable qualifications determined by the board or members.

B. Membership Director Qualifications. To become or remain a director, an individual must, while a director and during the one (1) year immediately prior to becoming a director, comply with and meet the following membership qualifications:

1. Be a member who receives electric service from the cooperative in the district from which the member is nominated or elected;
 2. Reside within the voting district from which nominated or elected; however, the member may reside within a city located within the district but not served by the cooperative.
- C. Conflict of Interest and Director Qualifications. To become a candidate an individual must sign a conflict of interest certification and, during one (1) year immediately prior to becoming a director, comply with or meet the following conflict of interest qualifications; and to remain a director, an individual must annually sign a conflict of interest certification, and during one (1) year immediately prior to becoming a director comply with or meet the fol-

lowing conflict of interest qualifications; and in both instances comply with other terms of this Bylaw by not being or having been:

1. A close relative of any existing director other than an existing director who will cease being a director within one (1) year;

2. An existing nor a close relative, as determined by policy, of an existing director, cooperative officer or employee;

3. Employed by, materially affiliated with nor sharing a material financial interest with any other director; or

4. Engaged in any business nor employed by, materially affiliated with, nor having a material financial interest in any individual or entity other than an entity in which the cooperative owns an interest that is:

(a) Regularly, directly and substantially competing with the cooperative or any entity that the cooperative controls or in which the cooperative owns a majority interest;

(b) Regularly selling goods or services to the cooperative or a cooperative subsidiary; and

(c) Possessing any substantial conflict of interest with the cooperative or a cooperative subsidiary.

5. A conflict of interest in director qualifications as it relates to "close relative" shall not apply to any existing directors or existing directors hereafter elected or employees who hold office as of the date of the adoption of this Bylaw.

6. A close relative is defined as parent (including step or in-law), child (including step or in-law), brother (including step, in-law or half brother), sister (including step, in-law or half sister), grandparent or grandchild.

D. When a membership is held jointly by more than one (1) person, either, any one (1), but not more than one (1), may be elected director provided, however, that only one (1) shall be eligible to become and remain a director or to hold a position of trust in the cooperative unless the candidate holding such joint membership shall meet the qualifications hereinbefore set forth.

E. If a member of the cooperative is a corporation as defined by statutes, the member may elect or appoint an individual stockholder of the corporation actively operating the corporation to be eligible for election as a director to the board. If a member is not a natural person, a corporation, or a partnership or similar entity, the member may appoint or elect a natural person to be eligible for election as a director to the board provided the person meets the other requirements for eligibility set forth herein and the individual is a shareholder in the corporation or a partner in the partnership.

F. No member of the Board of Directors of the cooperative shall serve more than five (5) consecutive three-year terms. This provision shall not apply to directors serving prior to 1999. Directors serving prior to 1999, but reelected after the 1999 annual meeting, shall not serve more than

five (5) consecutive three-year terms on the Board of Directors not including service prior to the 1999 annual meeting.

G. If at least a majority of the directors authorized by these Bylaws comply and meet the requirements as a director as hereinbefore set forth, then the failure of any director to comply with or meet the qualifications for director does not affect the board action.

Section 3. Voting Districts, Nomination and Election of Directors, and Credentials and Election Committee.

A. Voting Districts. The territory served or to be served by the cooperative shall be divided into nine (9) districts. Geographical divisions shall be based on township lines. Each district shall be represented by one (1) director. The Board of Directors shall have authority to realign the districts.

The Board of Directors shall conduct a survey at least once every ten (10) years to determine whether the number of members in a district has changed. If the number of members in a district changes by 15 percent (15%) or more, the district shall be realigned along township lines and be apportioned so that no district varies by more than ten percent (10%) from the average number of members for all districts.

B. Nomination and Election of Directors. Not less than ninety (90) days nor more than one hundred fifty (150) days before any meeting at which directors are to be elected, the Board of Directors shall call a separate meeting of the members of each voting district at a suitable place in such district for the purpose of selecting candidates to represent the members located within such district at the next annual meeting of the members and also for the purpose of discussing any matters of any kind or nature pertaining to the business of the cooperative. The notice of such meeting shall be mailed by the secretary of the cooperative to each member of the district not less than seven (7) days before such meeting and shall indicate the district to which such member belongs. The notice shall state the time and place of such meeting, whether nominations for a director are to be made at such meeting, and any business matters to be discussed at such meeting. The meeting shall be open for discussion of any matters pertaining to the business of the cooperative regardless of whether such matters were listed in the notice of the meeting, and recommendations with respect thereto may be submitted to the Board of Directors or the entire membership.

The district meeting shall be called to order by the director representing the district or, by another designated representative of the Board of Directors or, in that director's absence, by any member of the district. The members present shall then proceed to elect a chair who shall be someone other than a director and who shall appoint a secretary to act for the duration of the meeting. Ten (10) members of the district present at such duly called district meeting shall constitute a quorum. Members of other districts present at the meeting may be heard but shall have no vote. The qualifications of a member to vote in other respects shall be the

same as those required for voting at the annual meeting of members. Nominations for candidates for director shall be made from the floor at the meeting, and any member of the district shall have the right to nominate one (1) candidate. The meeting shall remain open for nominations until no further nominations are forthcoming, but in no case less than three (3) minutes. Any candidate, to be eligible to become or remain a director, shall receive electrical service from the cooperative in the district from which they would be elected and must reside within the voting district; however, candidates must possess the qualifications for director specified in these Bylaws. Voting shall be by ballot, and proxy voting shall not be permitted at any district meeting. Each member may vote for only one (1) candidate. The two (2) candidates receiving the highest number of votes shall be declared the official candidates of the district. The minutes of such district meeting shall set forth generally any action taken thereat, and the names of each person nominated at the meeting, if nominations were necessary, and the number of votes received by each and shall specify the two (2) official candidates of the district. A certified copy of the minutes signed by the secretary and chair of the district meeting shall be delivered to the secretary of the cooperative within five (5) days after such district meeting and at least twenty-five (25) days before the meeting of the members.

Nominations of candidates for directors may also be made by a written petition. The nominee must be a member and qualified to be a director as provided in these Bylaws. This petition must be signed by fifty (50) members who are members of the district and filed with the secretary of the cooperative not more than thirty (30) days after the date of each district meeting. The secretary of the cooperative must certify that signators on the petition are members of the district and the candidate nominated is a member residing in the district and that such petitioners and candidate are duly qualified. A member of the district shall have the right to nominate and be a petitioner for only one (1) candidate. Any candidate nominated by petition shall be placed on the ballot in order of nomination and following those candidates nominated at the district meeting.

C. Credentials and Election Committee. The Board of Directors shall appoint a Credentials and Election Committee for each annual or special meeting of the members. The committee shall consist of an uneven number of cooperative members, not less than three (3) nor more than eleven (11), who are not officers, directors or known candidates for director and who are not close relatives or members of the same household thereof. The board shall select a chair for the committee who may be, but need not be, a member of the committee and of the cooperative. It shall be the responsibility of the committee to carry out those duties assigned to it by the board concerning the following: the registration of members in person or by mail, supervision of any ballot or other voting, counting all ballots or other votes cast in any election, or any other similar matters as assigned by the board. In the exercise of its responsibility, the committee shall consult with the cooperative's legal counsel.

Section 4. Vacancies. Subject to the provisions of these Bylaws with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors, and directors thus elected shall serve until the next annual meeting of the members or until their successors shall have been elected and shall have qualified pursuant to policies established by the Board of Directors.

Section 5. Director Compensation. As allowed by law and the Articles and as determined or approved by the board, the cooperative may reasonably reimburse, compensate, pay a salary to, or pay a fixed fee to, or provide insurance or other benefits to directors for attending any:

- (a) Board meeting;
- (b) Function, meeting, or event involving or relating to the cooperative; or
- (c) Function, meeting, or event involving or relating to, or reasonably enhancing the director's ability to serve in the role of director.

The board shall determine or approve the manner, method, and amount of director compensation or benefits.

Section 6. Rules and Regulations. The Board of Directors shall have authority to make and adopt such policies, rules, regulations and standards not inconsistent with law as it may deem advisable for the management, administration and regulation of the business and affairs of the cooperative.

Section 7. Removal of Directors and Officers. The members shall have the power to remove any director or officer for cause related to the duties of the position of director. Any member may bring charges against an officer or director by filing them in writing with the secretary, together with a petition signed by ten percent (10%) of the members, requesting the removal of the officer or director in question. The removal shall be voted upon at the next regular or special meeting of the members provided that the said vote shall in no case take place sooner than sixty (60) days after the filing of such petition. Each page of the petition shall state the names and addresses of the members initiating such charges and the directors against whom such charges is/are being made. The petition shall be signed by each member and shall state the signatory's current address. Such directors shall be informed in writing of the charges at least forty-five (45) 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, by witnesses, by counsel or any combination of such and to present evidence in respect of the charge(s); and the persons bringing the charges shall have the same opportunity but must be heard first. The question of the removal of such directors shall, separately for each if more than one (1) has been charged, be considered and voted upon at such meeting. The question of the removal of a director shall not be voted upon at all unless some evidence in support of the charges against the director shall have been presented dur-

ing the meeting through oral statements, documents or otherwise. Any vacancy created by such removal shall be filled by vote of the members at a subsequent regular or special meeting. Not less than thirty (30) days nor more than one hundred fifty (150) days before the meeting at which a replacement director is to be elected, the Board of Directors shall call a separate meeting of the members of each voting district which is to nominate a replacement director at a suitable place in such district for the purpose of selecting two (2) persons as candidates. The rules and procedures governing such district meeting shall be those set forth elsewhere in these Bylaws for the conduct of district meetings, except when the meeting is a special district meeting. The nomination of a director shall be the sole item of business before the meeting. The rules and procedures governing the general membership meeting and the voting by members shall, insofar as applicable, be those set forth elsewhere in these Bylaws for the conduct of annual meetings of members. A newly-elected director shall be from the same Directorate District as was the director whose office the newly-elected director succeeds and shall serve the unexpired portion of the removed director's term. In the event that the entire Board of Directors is removed from office by recall, then the recalled directors shall be deemed to continue serving in office for the limited purpose of carrying out, as expeditiously as possible, the nomination and election procedures described in this section.

Section 8. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which, among other things, subject to applicable laws and rules and regulations 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 Administration of the United States of America. The Board of Directors shall also 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. Such audit reports shall be submitted to the members at the following annual meeting.

Section 9. Change in Rates. The Board of Directors may make any change in the rates charged by the cooperative for electric energy and services with proper notification to the members and other necessary entities required by law.

ARTICLE IV

Meetings of Directors

Section 1. Regular Board Meetings. The board shall regularly meet at the date, time, location, and for the purpose determined by the board. Unless otherwise required by these Bylaws, the board may hold regular board meetings without notice. For good cause, the chair may change the date, time or location of any regular board meeting.

Any director not attending any board meeting at which a regular board meeting date, time, purpose or location is changed is entitled to receive notice of the regular board meeting change at least two (2) days before the regular board meeting. All directors are entitled to receive notice

of the chair's change in a regular board meeting date, time or location at least two (2) days before the changed regular board meeting.

Section 2. Special Board Meetings. The board, the chair or at least three (3) directors may call a special meeting of the board by providing each director five (5) days prior written notice indicating the date, time, purpose and location of the special board meeting.

Section 3. Notice of Meeting. Notice of the time, place and purpose of any special meeting of the board of directors shall be given by written notice, delivered personally, e-mailed, faxed or mailed to each director at each director's last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail so addressed with postage thereon prepaid, and when personally delivered on the date of delivery, and when transmitted by other means by acknowledged receipt from the director. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting.

Section 4. Quorum. A quorum of directors is a majority of the directors in office immediately before a board meeting begins. If a quorum is present at the time a matter is voted or acted upon and unless the vote of a greater number of directors is required, then the affirmative vote of a majority of directors present and voting is the act of the board.

Section 5. Board Action by Written Consent. Without a board meeting, the board may take any action required or permitted to be taken at a board meeting if the action is:

- (a) Taken by all directors; and
- (b) Evidenced by one (1), or more, written consents ("Director Written Consent"):
 1. Describing the action taken;
 2. Signed by each director; and
 3. Included with the cooperative's board meeting minutes.

Unless the Director Written Consent specifies a different effective date, action taken by Director Written Consent is effective when the last director signs the Director Written Consent. A Director Written Consent has the effect of, and may be described as, a board meeting vote.

ARTICLE V

Officers

Section 1. Required Officers. The cooperative must have the following officers: chair (president), vice-chair (vice-president), secretary, and treasurer ("required officers"). The board shall elect required officers:

- (a) At the first (1st) regular board meeting following each annual member meeting or as soon after each annual member meeting as reasonably possible and convenient;
- (b) By affirmative vote of a majority of directors in office; and
- (c) By secret written ballot without prior nomination. Only directors may be elected, and serve, as a

required officer. One (1) director may simultaneously be secretary and treasurer. Unless allowed by law, this director may not execute, acknowledge or verify any document in more than one (1) capacity.

Subject to removal by the board, each required officer shall hold office until the required officer's successor is duly elected. The board shall fill any vacant required officer's position for the remaining unexpired portion of the required officer's term.

Section 2. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors by a majority vote of all directors whenever in its judgment the best interest of the cooperative will be served thereby.

Section 3. Vacancies. Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 4. Chair (President). Unless otherwise determined by the board and unless otherwise required by law, the Articles or these Bylaws, the chair:

(a) Shall preside, or designate another individual to preside, at all board and member meetings;

(b) On the cooperative's behalf, may sign any document properly authorized or approved by the board or members; and

(c) Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority, prescribed by the board.

Section 5. Vice-Chair (Vice-President). Unless otherwise determined by the board and unless otherwise required by law, the Articles or these Bylaws, the vice-chair:

(a) Upon the chair's death, absence, disability or inability to act shall perform the duties and have the powers of the chair; and

(b) Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority prescribed by the board.

Section 6. Secretary. Unless otherwise determined by the board and unless otherwise required by law, the Articles, or these Bylaws, the secretary:

(a) Shall be responsible for preparing minutes of board and member meetings;

(b) Shall be responsible for authenticating the cooperative's records;

(c) May affix the cooperative's seal to any document authorized or approved by the board or members; and

(d) Shall perform all other duties, shall have all other responsibilities, and may exercise all other authority prescribed by the board.

Section 7. Treasurer. The treasurer shall be responsible for:

(a) the safekeeping of all funds and securities of the cooperative;

(b) the receipt of and the issuance of receipts for moneys due and payable to the cooperative from any

source whatsoever and depositing all such moneys in the name of the cooperative in such bank or banks as shall be selected and in accordance with the provisions of these Bylaws; and

(c) the general performance of all duties incident to the office of treasurer and such other duties as from time to time may be assigned to the treasurer by the Board of Directors. The treasurer may, from time to time, authorize other personnel of the cooperative to assist with the performance of any of the functions of this office.

Section 8. Chief Executive Officer. The Board of Directors may appoint a chief executive officer who may be but who shall not be required to be a member of the cooperative. The chief executive officer shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board of Directors may from time to time vest in the chief executive officer.

Section 9. Bonds. At the cooperative's expense, the cooperative may purchase a bond covering any cooperative director, officer, employee, agent or representative.

Section 10. Authority to Execute Documents. On the cooperative's behalf, any two (2) required officers may sign, execute and acknowledge any document properly authorized or approved by the board or members. The board may authorize additional cooperative directors, officers, employees, agents or representatives to sign, execute and acknowledge any document on the cooperative's behalf.

Section 11. Insurance. Regardless of any indemnification authority or requirements, the cooperative may purchase and maintain insurance on behalf of any individual who is, or was, a cooperative director, officer, employee, agent or representative against any:

(a) Liability, including judgment, settlement or otherwise; or

(b) Reasonable expenses, including reasonable attorney fees.

ARTICLE VI

Cooperative Operation

Section 1. Nonprofit and Cooperative Operation.

The cooperative:

(a) Shall operate on a nonprofit basis;

(b) Shall operate on a cooperative basis for the mutual benefit of all members; and

(c) May not pay interest or dividends on capital furnished by patrons.

Section 2. Allocating and Crediting Capital. In operating the cooperative, net income and excessive dividends, nonstock units of equity and additions to reserves shall be distributed on a basis of principal and distribution of the net income shall be made at least annually subject to and consistent with the following conditions:

A. Patron. A cooperative patron ("patron") is a:

1. Member; or

2. Nonmember person who:

(a) Uses any cooperative service; and

(b) Prior to using the cooperative service, is entitled to an allocation of and payment by credit to a capital account for capital credits regarding the cooperative's service.

B. Capital Credits. Patrons shall furnish and contribute to the cooperative, and the cooperative shall receive from patrons, as capital ("capital"), the amount ("operating margins") by which the funds and amounts received by the cooperative from patrons for providing a cooperative service ("operating income") exceed the cooperative's costs and expenses of providing cooperative service ("operating cost").

For each cooperative service, the cooperative shall annually allocate to each patron and pay by credit to a capital account for each patron, operating margins from the cooperative service in proportion to the value or quantity of the cooperative service used by each patron during the applicable fiscal year ("capital credits"). Capital credits must be treated as though the cooperative paid the capital credit amounts to each patron in cash pursuant to a pre-existing legal obligation, and each patron furnished or contributed the capital to the cooperative in the corresponding capital credit amounts.

C. Affiliated Capital Credits. If the cooperative is a member, owner, or patron of an entity providing a good or service used by the cooperative in providing a cooperative service ("affiliated entity"), then, to the extent the affiliated entity allocates or credits funds, amounts, or capital to the cooperative in proportion to the value or quantity of the good or services used by the cooperative in providing the cooperative service ("affiliated entity allocated capital"), the cooperative may separately allocate and credit to patrons the affiliated entity allocated capital ("affiliated capital credits") or may include affiliated capital credits as nonoperating margins.

D. Nonoperating Margins. Other than operating margins, funds and amounts received by the cooperative that exceed the cooperative's costs and expenses ("nonoperating margins") may be:

1. Allocated as capital credits to patrons in the same manner as the cooperative allocates operating margins to patrons;
2. Retained or used by the cooperative as permanent, nonallocated capital;
3. Used to pay or offset any cooperative cost or expense; or
4. Used as otherwise determined or approved by the board.

E. Assignment and Notification. Unless otherwise determined by the Board or provided by these Bylaws, capital credits and affiliated capital credits if allocated may be assigned or transferred only upon:

1. A patron delivering a written assignment or transfer to the cooperative;
2. The patron complying with any other reasonable

requirement determined by the board; and

3. The board approving the assignment or transfer.

The cooperative shall annually notify each patron in writing of the dollar amount of capital credits allocated or affiliated capital credits if allocated or credited to the patron during the applicable fiscal year.

F. Joint Membership. Upon the termination, conversion, or alteration of a joint membership, and upon the cooperative receiving written notice and adequate proof of the joint membership termination, conversion, or alteration:

For any joint membership comprised of two (2) married joint members that is:

1. Terminated or converted through the death of one (1) joint member, the cooperative shall reallocate and recredit to the surviving joint member all capital credits and affiliated capital credits previously allocated and credited to the joint membership; or

2. Otherwise terminated or converted, and unless otherwise instructed by a court or administrative body of competent jurisdiction, the cooperative shall reallocate and recredit to each joint member one half (1/2) of the capital credits and affiliated capital credits previously allocated and credited to the joint membership.

G. Retiring and Refunding Capital Credits. At any time prior to the cooperative's dissolution or liquidation, and if the board determines that the cooperative's financial condition, including conditions of loans, will not be adversely impacted:

1. The board may authorize the cooperative to, and the cooperative shall, wholly or partially retire capital credits to patrons and former patrons; or

2. After an affiliated entity retires and pays out affiliated entity allocated capital to the cooperative, the board may authorize the cooperative to, and the cooperative shall, retire and refund the corresponding affiliated capital credits if allocated to patrons and former patrons.

3. The board shall determine the manner, method, and timing of retiring and refunding capital credits and affiliated capital credits if allocated.

4. Upon the death of any individual patron or individual former patron ("deceased patron"), but not upon the cessation of existence of any entity patron or entity former patron, and pursuant to a written request from the deceased patron's legal representative that the capital credited to such patron be retired prior to the time that such capital would otherwise be retired under the provisions of these Bylaws, the cooperative may retire capital credits to any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representative of such patron's estate shall agree upon provided that the cooperative will pay the allocated amounts of capital credits to be retired in full and may not pay the net present value of retired capital credits to be retired to any such patron's estate.

5. Before retiring and refunding any capital credits or affiliated capital credits if allocated, any amounts owed to the cooperative by the patron or former patron, including any reasonable compounded interest and late payment fee as determined by the board, shall be deducted from the payment.

6. The cooperative shall take reasonable measures to notify any patron or former patron of retired or refunded capital credits. If the patron or former patron fails to claim the retired or refunded capital credits or any affiliated capital credits if allocated after a period of five (5) years from the time of first notification, the unclaimed amounts may be disposed of by the cooperative as escheated property pursuant to Minnesota statutes or such other qualified distribution as authorized by law and approved by the Board of Directors.

H. Patron Agreement. Each patron agrees that:

1. Neither capital credits, affiliated capital credits, nor similar amounts are securities under state or federal law;

2. A patron's right to receive capital credits, affiliated capital credits if allocated, or similar amounts vests, accrues, and becomes payable only upon the cooperative retiring or refunding the capital credits, affiliated capital credits, or similar amounts as provided in these Bylaws, and not upon the cooperative allocating or crediting the capital credits, affiliated capital credits if allocated, or similar amounts; and

3. To the extent required by local, state, or federal law, each patron will:

(a) Report to the appropriate entity allocated, credited, retired, or refunded capital credits, affiliated capital credits if allocated, and similar amounts; and

(b) Pay to the appropriate entity any tax or similar amount on allocated, credited, retired, or refunded capital credits, affiliated capital credits if allocated, and similar amounts.

I. Nonmember Patrons and Nonmember Nonpatrons. As a condition of using any cooperative service, and unless otherwise determined by the board:

1. To the same extent as members, patrons who are not members ("nonmember patrons") and persons using any cooperative service who are neither members nor patrons ("nonmember nonpatrons") shall abide by and be bound to:

(a) All the duties, obligations, liabilities, and responsibilities imposed by the governing documents upon members; and

(b) These Bylaws, unless otherwise provided in these Bylaws;

2. Nonmember patrons and nonmember former patrons shall have none of the rights granted by the governing documents to members, other than the rights

to:

(a) Be allocated and paid by credit to a capital account capital credits and affiliated capital credits if allocated; and

(b) Receive retired and refunded capital credits and affiliated capital credits if allocated; and

3. Nonmember nonpatrons shall have none of the rights granted by the governing documents to members.

J. Reasonable Reserves. Regardless of any contrary bylaw, and to meet the cooperative's reasonable needs, the cooperative may accumulate and retain amounts exceeding those needed to meet current losses and expenses ("reasonable reserves"). The cooperative shall keep records necessary to determine, at any time, each member's rights and interest in any reasonable reserves.

K. Contract. The patrons of the cooperative, by dealing with the cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the cooperative and each patron, and both the cooperative and the patron are bound by such contract as fully as though each patron had individually signed a separate instrument containing such terms and provisions.

ARTICLE VII

Disposition of property and other significant acts

Section 1. Sale of Property. The cooperative may at any meeting of its Board of Directors sell, lease or exchange twenty-five percent (25%) or less of its property rights, privileges and franchises without submitting the issue to a vote of the members. The cooperative may at any meeting of its Board of Directors sell, lease or exchange more than twenty-five percent (25%) of its property rights, privileges and franchises; merge with or consolidate into another entity that is not a rural electric cooperative association; or dissolve the cooperative only 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) of the shares of stock issued and outstanding given at a members' meeting duly called for that purpose; or when authorized by the written consent of the holders of two-thirds (2/3) of the shares of stock issued and outstanding; 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.

Section 2. Borrowing and Securing Indebtedness. Notwithstanding anything herein contained, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from the United States of America or any agency or instrumentality thereof, or any other lender, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidences of indebtedness and, to secure the payment

thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of 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 3. Merger and Consolidation. For purposes of this Article, a merger with or consolidation into another rural electric cooperative association shall not be deemed a sale, lease or exchange. Other provisions of these Bylaws notwithstanding, any repeal, amendment or alteration of this Article that would result in a change in the member approval requirements for acts described herein, must be approved by a majority vote of all members of the cooperative.

ARTICLE VIII

Fiscal Year

The fiscal year of the cooperative shall begin on the first (1st) day of January of each year and end on the thirty-first (31st) day of December of the same year.

ARTICLE IX

Amendments

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting if approved by a majority of the votes cast, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. Any repeal, amendment, or alteration of Article VII or of this sentence of Article IX, must be approved by a majority of all members of the cooperative.

(The Articles of Incorporation and Bylaws are on file and available for viewing at Lake Region Electric Cooperative in Pelican Rapids.)

Statement of Nondiscrimination

In accordance with Federal law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, religion, age, disability (Not all prohibited bases apply to all programs.)

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.