



**NORTHERN ELECTRIC
COOPERATIVE, INC.**

A Touchstone Energy® Cooperative 

**PO Box 457
Bath, SD 57427**

**ARTICLES OF INCORPORATION
AND BYLAWS**

**As Amended Through
September 17, 2008**

**ARTICLES OF INCORPORATION OF
NORTHERN ELECTRIC COOPERATIVE, INC.
BATH, SOUTH DAKOTA AS OF AUGUST 1, 2004**

ARTICLE I

NAME. The name of the Cooperative is and shall be Northern Electric Cooperative, Inc. (hereinafter referred to as “Cooperative”).

ARTICLE II

TERM. The term for which the Cooperative shall exist is perpetual.

ARTICLE III

PRINCIPAL OFFICE. The office of the principal office of the Cooperative is Bath, SD 57427.

ARTICLE IV

DIRECTORS. The management of the Cooperative shall be vested in a Board of Directors consisting of nine members of which there shall be one from each district. The names and addresses of the directors are as follows:

D-1 Dennis Mitchell, 39910 117th St, Houghton, SD 57449

D-2 Al Waltman 12277 376th Ave., Aberdeen, SD 57401

D-3 Arnie Goldade, 12892 Fairfield Drive, Aberdeen, SD 57401

D-4 Mike McHugh, 12627 393rd Ave., Aberdeen, SD 57401

D-5 Gary Sharp, 39353 133rd St., Bath, SD 57427

D-6 Tom Munger, 14319 385th Ave., Mansfield, SD 57460

D-7

D-8 Kurt Bindenagel, 39586 176th St., Frankfort, SD 57440

D-9 Victor Gross, 40071 187th St., Hitchcock, SD 57348

ARTICLE V

LOAN FUNDS. The Cooperative shall have power to borrow money and otherwise contract indebtedness, and to issue notes, bonds, and other evidences of indebtedness, and to secure the payment thereof by mortgage, pledge, or deed of trust, or any other encumbrance upon, any or all of its then owned or after acquired real or personal property, assets, franchises, or revenues.

NORTHERN ELECTRIC COOPERATIVE BYLAWS INDEX

Article I

Membership.....Page 4

- Section 1. Requirements for Membership
- Section 2. Membership Record
- Section 3. Joint Membership
- Section 4. Effect of Death, Legal Separation or Divorce Upon a Joint Membership
- Section 5. Assignment of Capital Credits
- Section 6. Purchase of Electric Energy
- Section 7. Termination of Membership

Article II

Right and Liabilities of Members.....Page 7

- Section 1. Property Interest of Members
- Section 2. Non-liability for Debts of the Cooperative

Article III

Meeting of Members.....Page 7

- Section 1. Annual Meeting
- Section 2. Special Meetings
- Section 3. Notice of Members' Meetings
- Section 4. Quorum
- Section 5. Voting
- Section 6. Order of Business

Article IV

Board Members.....Page 10

- Section 1. General Powers
- Section 2. Election and Tenure of Office
- Section 3. Voting Power
- Section 4. Director Districts
- Section 5. Nomination of Directors
- Section 6. Removal of Board Member by Members
- Section 7. Vacancies
- Section 8. Compensation

Article V

Board of Directors.....Page 14

- Section 1A. Meetings Open to Membership
- Section 1B. Regular Meetings
- Section 2. Special Meetings
- Section 3. Notice of Board Meetings
- Section 4. Quorum
- Section 5. Executive Committee
- Section 6. Other Committees

Article VI

Officers; Miscellaneous.....Page 16

- Section 1. Number
- Section 2. Election and Term of Office

Section 3. Removal
 Section 4. President
 Section 5. Vice President
 Section 6. Secretary
 Section 7. Treasurer
 Section 8. Delegation of Secretary's and Treasurer's Responsibilities
 Section 9. General Manager, Executive Vice President
 Section 10. Bonds
 Section 11. Compensation
 Section 12. "Close Relative" Defined
 Section 13. Reports
 Section 14. Indemnification of Officers, Directors, Employees, and Agents; Insurance
 Section 15. Financial Disclosure

Article VII

Non-Profit Operation.....Page 21

Section 1. Interest or Dividends on Capital Prohibited
 Section 2. Patronage Capital in Connection with Furnishing Electric Energy
 Section 3. Patronage in Connection with Furnishing Other Services

Article VIII

Disposition of Property.....Page 25

Section 1. Encumbering Property and Making Loans
 Section 2. Encumbering Property to Others

Article IX

Seal.....Page 26

Article X

Financial Transactions.....Page 26

Section 1. Contracts
 Section 2. Checks, Drafts, etc.
 Section 3. Deposits
 Section 4. Change in Rates
 Section 5. Fiscal Year
 Section 6. Debt Limitation

Article XI

Miscellaneous.....Page 27

Section 1. Membership in Other Organizations
 Section 2. Waiver of Notice
 Section 3. Policies, Rules and Regulations
 Section 4. Accounting System and Reports
 Section 5. Publication
 Section 6. Area Coverage
 Section 7. Rules of Order
 Section 8. Credentials and Election Committee

Article XII

Amendments.....Page 29

BYLAWS OF
NORTHERN ELECTRIC COOPERATIVE, INC.
ARTICLE I
MEMBERSHIP

Section 1. Requirements for Membership. Any person, firm, association, corporation, or body politic or subdivision thereof shall become a member of NORTHERN ELECTRIC COOPERATIVE, INC., (hereinafter called the “Cooperative”) by:

(a) Making written application for electric service either prior or subsequent to being furnished with the same, and

(b) Agreeing to purchase from the Cooperative electric energy and to comply with and be bound by the Articles of Incorporation, Bylaws, rules, regulations, general terms and conditions for electric service as adopted by the Board of Directors (hereinafter referred to as “Board”).

No member may hold more than one (1) membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided in these Bylaws.

Section 2. Membership Record. Membership in the Cooperative shall be evidenced by enrolling the name of a member upon the Membership Record kept and maintained in the office of the Cooperative which record shall be available for inspection by any person during regular office hours.

Section 3. Joint Membership. Requesting electric service or applying for membership by either husband or wife, or the continuation of electric service to present individual members, joint members, or persons who have married subsequent to becoming a member, shall be construed to create and/or continue the joint ownership of the membership between the spouses. The words “member”, “applicant”, “person”, “his”, and “him” as used in these Bylaws shall include a husband and wife applying for or holding a joint membership, unless otherwise clearly distinguished in the text; and all provisions relating to the rights, powers, terms, conditions, obligations, responsibilities and liabilities of membership shall apply equally to them. Without limiting the generality of the foregoing:

(a) the presence at a meeting of either or both shall constitute the presence of one (1) member, a joint waiver of notice of the meeting, and a revocation of any mail vote executed by either or both;

(b) the vote, by mail or in person, of either separately or both jointly shall constitute, respectively, one (1) joint vote;

(c) notice to, or waiver of notice signed or otherwise effected by, either or both shall constitute, respectively, a joint notice or waiver of notice;

(d) suspension or termination in any manner of either shall constitute, respectively, suspension or termination of the joint membership; and

(e) each, but not both concurrently, shall be eligible to serve as an officer or Board member of the Cooperative but only if both meet the qualifications required thereof.

Section 4. Effect of Death, Legal Separation or Divorce Upon a Joint Membership. Upon the death of either spouse of a joint membership, such membership shall continue to be held solely by the survivor, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the estate of the deceased shall not be released from any debts due the Cooperative. Upon the legal separation or divorce of the holders of a joint membership, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership, in the same manner and to the same effect as though such membership had never been joint; PROVIDED, that the other spouse shall not be released from any debts due the Cooperative.

Section 5. Assignment of Capital Credits. If two (2) or more names appear on the membership record, the capital credits shall be assigned in the first name mentioned unless otherwise arranged and stated between or among them.

In the event of the death of one (1) of the joint owners, patronage shall be assigned and vested in the name of the surviving joint tenant. If any husband and wife as members are divorced or legally separated, the capital credits shall be assigned and vested in the name of the member who continues to directly occupy or use the premises covered

by the membership unless informed by the Court having jurisdiction over the matter to the contrary.

Section 6. Purchase of Electric Energy. One desiring electricity shall make written application for service either prior to or within thirty (30) days of receiving electric service and shall pay therefore at rates which shall from time to time be fixed by the Board.

It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital. Each member shall be credited with the capital and reserves so furnished as provided in these Bylaws. As a condition of receiving electrical service, a member may be required to pay to the Cooperative a minimum amount as determined by the Board, regardless of the amount of electric energy consumed, as a deposit, in aid of construction or as a guarantee of revenue.

Each member shall also pay all amounts owed by such member to the Cooperative as and when the same shall become due and payable. When the member has more than one (1) service connection from the Cooperative, any payment for service to the member by the Cooperative shall be deemed, pro forma, to be allocated and credited on a pro rata basis to the member's outstanding accounts for all said service connections, notwithstanding that the Cooperative's actual accounting procedures do not reflect proration.

Section 7. Termination of Membership. (a) Any member may terminate their electric service or withdraw from membership upon compliance with such uniform terms and conditions as the Board may prescribe. The Board may, by an affirmative vote, expel any member who fails to comply with any of the provisions of the Amended Articles of Incorporation; Bylaws or rules or regulations adopted by the Board, but only if such member shall have been given written notice by certified mail from the Cooperative that such failure makes the member liable to expulsion and such failure continues for at least ten (10) days after notice was given. Any expelled member may be reinstated by vote of the Board or by vote of the members at an annual or special meeting.

(b) Upon the termination of all electric service or the withdrawal, death, cessation of existence or expulsion of a member, the membership of such member shall thereupon terminate.

Termination of membership in any manner shall not release a member or the member's estate from any debts due the Cooperative.

ARTICLE II

RIGHT 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 through patronage shall have been retired as provided in these Bylaws, the remaining property and assets of the Cooperative shall be distributed among the members and former members in the proportion which aggregate patronage of each bears to the total patronage of all members during the ten (10) years next preceding the date of the filing of the certificate of dissolution, or, if the Cooperative shall not have been in existence for such period, during the period of its existence.

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

MEETING OF MEMBERS

Section 1. Annual Meeting. The annual meeting shall be held on the third Thursday of September of each year commencing in 1982 at such place within the service area of the Cooperative. For good cause the Board of Directors may fix a different date for such annual meeting; PROVIDED, that if no date is set by the first day of July each year, the annual meeting of the members shall be held on the date set heretofore.

Section 2. Special Meetings. Special meetings of the members may be called by resolution of the Board, or upon a written request signed by any three (3) Board members, by the President, or by ten percent (10%) or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as

hereinafter provided. Special meetings of the members may be held at any place within one (1) of the counties served by the Cooperative as specified in the notice of the special meeting.

Section 3. Notice of Members' Meetings. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting or an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than forty (40) days before the date of the meeting, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the persons calling the meeting, to each member. 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. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such meeting.

Section 4. Quorum. A quorum for the transaction of business at all meetings of the members shall be fifty (50) members, present in person. If less than a quorum is present at any meeting, a majority of those present in person may adjourn the meeting from time to time without further notice. The record of the events of each meeting shall contain a list of the members present in person as well as those voting by mail, if any.

Section 5. Voting. (a) Each member of the Cooperative shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of the members. Mail voting is authorized either by a majority vote of the directors or by petition of not less than twenty-five (25) members requesting mail voting, unless prohibited by these bylaws or South Dakota law.

(b) In processing the procedure for mail voting, the Secretary shall be responsible for the enclosure with the notice of such meeting of an exact copy of such motion or resolution to be acted upon. In the event that any member will be absent from such meeting, a member may request in writing a ballot so that the member may cast their vote by mail. Such absent member shall express their vote thereon by placing a cross (X) in the space provided. The member

shall enclose such ballot so marked in a sealed, blank envelope enclosed in another envelope duly dated, bearing the member's name, signature and addressed to the Secretary. When such written vote so enclosed is received in time from any absent member, it shall be counted as the vote of such member at such meeting or any adjournment thereof. The failure of any absent member to receive a copy of any such motion shall not invalidate any action which may be taken by the members at any such meeting or adjournment thereof.

PROVIDED, that any mail vote valid at any meeting shall be valid at any adjournment thereof unless the member indicates otherwise in writing on the ballot or is subsequently revoked by a subsequently dated mail vote or by the presence in person of the member at such adjournment. In the event a member executes two (2) or more mail votes for the same meeting or any adjournment thereof, the most recently dated mail vote shall revoke any mail vote theretofore executed by such member for such meeting or for such adjournment thereof, as the case may be, and if such mail votes carry the same date, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any mail vote theretofore executed by such member for such meeting or for such adjournment thereof, as the case may be, and the member shall be entitled to vote in the same manner and with the same effect as if the member had not executed a mail vote.

Section 6. Order of Business. The order of business at the annual meeting of the members and, insofar as practicable, at all other meetings of the members shall be essentially as follows:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meeting.
3. Presentation of the unapproved minutes of previous meetings of the members and the taking of necessary actions thereon.
4. Presentation and consideration of reports of officers, trustees and committees.
5. Unfinished business.
6. New business.

7. Adjournment.

ARTICLE IV BOARD MEMBERS

Section 1. General Powers. The business and affairs of the cooperative shall be managed by the Board of Directors consisting of nine members elected by the membership at an annual meeting from districts as provided in this article, which Board shall exercise all of the powers of the Cooperative, except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or referred to the members. It shall be the duty of each Director to participate in such activities as are deemed necessary to enhance the prestige of the Cooperative, broaden its operation and fulfill its public obligation as a member of the various communities in which it does business and in furtherance, thereof, to devote reasonable time and attendance at meetings of affiliate organizations and at training sessions to assist and improve Directors and Officers in carrying out their duties.

Section 2. Election and Tenure of Office. At each Annual Meeting of the members, Board Members shall be elected by secret ballot; provided, that when there is no contest for the representation of a particular district and there is no objection, balloting may be dispensed with in respect of that district and voting may be conducted in any other proper manner. Board Member shall, unless the Cooperative's members determine otherwise in advance of the initial balloting, be elected by a plurality vote of the members. Drawing by lot shall resolve, when necessary, any tie votes.

Except as hereinafter provided, no Directors shall be eligible for re-election who has served as a Director for nine (9) consecutive years and such Director shall be disqualified for a period of three (3) consecutive years.

Section 3. Voting Power. Each of the Directors will be entitled to one (1) vote upon all issues which they are called upon to vote.

Qualifications. No person shall be eligible to become or remain a Director who:

1. Is an employee of the Cooperative;
2. Is not a member and bona fide resident of the service area

served by the Cooperative located within the particular District;

3. Is in any way employed by or financially interested in a competing enterprise or business selling electric energy or supplies to the Cooperative or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative; or

4. Has been previously removed as a Director of the Cooperative in accordance with the procedures provided for removal in these Bylaws.

5. Has failed to attend at least 2/3 of all regular board meetings during any consecutive twelve (12) month period.

6. Has been employed by the Cooperative in the past five (5) years.

7. Has pled guilty or has been convicted of a:

(i) A felony,

(ii) Any crime involving dishonesty, or

(iii) Any crime involving moral turpitude

Upon establishment of the fact that any person being considered for, or already holding, a Directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board to withhold such position from such person, or to cause the member to be removed therefrom as the case may be. Nothing in this Section shall contain or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one (1) or more of the Directors have an interest adverse to that of the Cooperative.

Section 4. Director Districts. The territory served or to be served by the Cooperative shall be divided into nine (9) Director Districts, the boundaries of each being established by the geographical area within the township and ranges as set forth opposite of the District designation including adjacent areas on the outer perimeters of the Cooperative's territory. One (1) Director shall be elected from each of the nine (9) Director Districts.

District 1 shall consist of the following: Townships 126, 127

and 128 in Ranges 60, 61, 62 and 63; Township 127 in Range 59; Township 129 in Range 63; and Township 129 in Range 60.

District 2 shall consist of the following: Townships 123, 124, 125, 126, 127, 128, and 129 in Range 65; Township 123 in Range 66; and Townships 126, 127, and 128 in Range 64.

District 3 shall consist of the following: Townships 123, 124, 125 in Range 64.

District 4 shall consist of the following: Townships 124 and 125 in Ranges 60, 61, 62, 63; and Township 124 in Range 59.

District 5 shall consist of the following: Townships 122 and 123 in Ranges 60, 61, 62, and 63.

District 6 shall consist of the following: Townships 118 and 119 in Range 67; Townships 118, 119, 120 and 122 in Range 66; Townships 118, 119, 120, 121 and 122 in Range 65; and Townships 118, 119, 120, 121 and 122 in Range 64.

District 7 shall consist of the following: Townships 118, 119 and 120 in Ranges 60, 61, 62 and 63; Township 119 in Range 59; and Township 121 in Ranges 59, 60, 61, 62 and 63.

District 8 shall consist of the following: Townships 116, and 117 in Ranges 60, 61, 62, 63, 64, 65 and 66; and Township 117 in Range 67.

District 9 shall consist of the following: Townships 113, 114 and 115 in Ranges 61, 62, 63 and 64; Townships 114 and 115 in Ranges 65 and 66; Townships 114 and 115 in Range 60; and Township 115 in Range 59.

Section 5. Nomination of Directors. The nominating process shall be premised on a nine (9) District - nine (9) Director Cooperative. Any ten (10) or more members residing in such District may file a nominating petition with the Secretary placing in nomination any qualified member from such District. Each signatory shall place the date of signing and his address on said petition. No member may sign a petition to nominate more than one candidate, and to do so shall invalidate the member's signature on the petition signed on the latest date. This procedure shall be followed in each Director District in which the Director term shall expire. Upon receipt of such petition and having found the same to be in order, the Secretary shall post such nomination in the principal office of the Cooperative.

Candidates so nominated shall be identified in the Notice of the Meeting and shall also be named on the official ballot. No petition filed later than sixty (60) days prior to the annual meeting shall be considered valid. The order in which the nominees shall appear on the printed ballot shall be determined by lot under the supervision of the Secretary. If any nominee should refuse to become a candidate or is not qualified, in accordance with the requirements of the Bylaws, the Secretary of the Cooperative is authorized and directed to remove the name or names from the list of posted nominees and/or from the ballot.

The Secretary shall be responsible for mailing with the Notice of the Meeting, or separately, but at least ten (10) days before the date of the meeting, a statement of the number of Board Members to be elected and the names and addresses of the candidates nominated. No nominations shall be permitted from the floor. Each member of the Cooperative present at the meeting shall be entitled to vote for one (1) candidate from their specific District from which a director is to be elected. Voting may occur two (2) hours before or during the official meeting in accordance with the procedure established by the board of directors. The candidate from each District receiving the highest number of votes at the meeting shall be considered elected as a Board member.

Section 6. Removal of Board Member by Members. Any member may bring charges against a Board member and, by filing with the Secretary such charges in writing together with a petition signed by at least ten per centum (10%) of the members or 300, whichever is lesser, may request the removal of such Board member by reason thereof. Such Board member shall be informed in writing of the charges by certified mail, return receipt requested, 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 him shall have the same opportunity. The question of the removal of such Board member shall be considered and voted upon at the meeting of the members and any vacancy created by such removal may be filled by vote of the members at such meeting without compliance with the foregoing provisions with respect to nominations.

Section 7. Vacancies. A vacancy occurring in the Board shall be filled within three (3) months by the affirmative vote of a majority of the remaining Board members for the unexpired portion of the term after a full and complete consideration of applicants from the district experiencing a vacancy on the Board. The time spent completing an unexpired term of office shall not be counted against the term limits imposed under Article IV, Section 2 of these bylaws.

Section 8. Compensation. Board members shall not receive any salary for their services, as such, except a fixed sum for each day or portion thereof spent on Cooperative business, such as attendance at meetings, conferences, and training programs or performing committee assignments when authorized by the Board. If authorized by the Board, Board members may also be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business. The compensation of Board members shall be determined by resolution of the Board which shall be presented for approval to the membership of the Cooperative at any regular or special meeting of the members, and when so determined shall be continuing until altered or amended in like manner. The Board resolution on compensation change shall accompany meeting notice. No Board member shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of the Board member receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by a vote of the members or the service by the Board member or such board member's close relative shall have been certified by the Board as an emergency measure.

ARTICLE V

BOARD OF DIRECTORS

Section 1A. Meetings Open to Membership. Except as otherwise provided, all regular and special meetings of the Board shall be open to the members. Executive sessions may be held for the purposes of considering personnel matters or matters concerning legal action involving the Cooperative, but for these purposes only. A majority vote of the Board members present is required for considering matters in executive sessions.

Section 1B. Regular Meetings. A regular meeting of the Board

shall be held, without notice, immediately after the adjournment of the annual meeting of the members, or as soon thereafter as convenient. A regular meeting of the Board shall also be held monthly at such date, time and place within the area served by the Cooperative as the Board may provide by resolution. Except when business to be transacted thereat shall require special notice, such regular monthly meeting may be held without notice other than such resolution fixing the date, time and place thereof; PROVIDED, that any Board member absent from any meeting of the Board at which such a resolution initially determines or makes any change in the date, time or place of a regular meeting shall be entitled to receive written notice of such determination or change at least five (5) days prior to the next meeting of the Board.

Section 2. Special Meetings. Special meetings of the Board may be called by Board resolution, by the President or by 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 in Section 3. The President or Board members calling the meeting shall fix the date, time and place for the meeting, which shall be held within the area served by the Cooperative unless a majority of the Board consents to it being held in some other place in South Dakota or elsewhere.

Section 3. Notice of Board Meetings. Written notice of the date, time, place and purpose or purposes of any special meeting of the Board and when the business to be transacted thereat shall require such, of the Board shall be delivered to each Board member not less than five (5) days prior thereto, either personally or by mail, by or at the direction of the Secretary or, upon a default in duty by the Secretary, by the Secretary or those calling it in the case of a special meeting or by any other Board member in the case of a regular meeting whose date, time and place have already been fixed by Board resolution. The general membership shall be informed of regular or special meetings by the posting of a copy of the Notice of Meeting on the bulletin board in the front lobby of the headquarters at least five (5) days prior to such meeting. If mailed at least five (5) days before the date set for the meeting, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Board member at the member's address as it appears on the records of

the Cooperative, with postage thereon prepaid. The attendance of a Board member at any meeting of the Board shall constitute a waiver of notice of such meeting unless such attendance shall be for the express purpose of objecting to the transaction of any business, or one or more items of business, on the ground that the meeting shall not have been lawfully called or convened.

Section 4. Quorum. The presence in person of a majority of the Board members in office shall be required for the transaction of business, and the affirmative votes of at least a majority of such quorum shall be required for any action to be taken; PROVIDED, that a Board member who by law or these Bylaws is disqualified from voting on a particular matter shall not, with respect to consideration of and action upon that matter, be counted in determining the number of Board members in office; AND PROVIDED FURTHER, that if less than a quorum be present at a meeting, a majority of the Board members present may adjourn the meeting from time to time, but shall cause all absent Board members to be duly and timely notified of the time, date and place of such adjourned meeting.

Section 5. Executive Committee. The Board may in its discretion appoint an Executive Committee consisting of the officers of the Cooperative and determine their powers and duties. The Board may allot to such Executive Committee all or any stated portion of the functions and powers of the Board of Directors, subject to the general direction, approval, and control of the Board. Copies of the minutes of any meeting of the Executive Committee shall be mailed to all directors within seven (7) days following such meeting.

Section 6. Other Committees. The Board may, at its discretion, appoint such other committees as may be necessary.

ARTICLE VI

OFFICERS; MISCELLANEOUS

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

Section 2. Election and Term of Office. The officers shall be

nominated and elected by secret ballot, annually by and from the Board at the reorganizational meeting of the Board held immediately after the annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. The two (2) nominations receiving most of the secret nominating votes shall be the official candidates for office. All others are thereby eliminated for consideration to that particular office. Each officer shall hold office until the reorganizational meeting of the Board following the next succeeding annual meeting of the members 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 for the unexpired portion of the term.

Section 3. Removal. Any officer, agent or employee elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Cooperative will thereby be served. The officer against whom such charges have been brought shall be informed in writing of the charges by certified mail, return receipt requested, at least ten (10) days prior to the Board meeting 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 him shall have the same opportunity.

Section 4. President. The President shall:

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

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

(c) in general perform all duties incident to the office of President and such other duties as may be prescribed by the Board from time to time.

Section 5. Vice President. In the absence of the President, or

in the event of the President's inability or refusal to act, the Vice President shall perform all duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall also perform such other duties as from time to time may be assigned to the Vice President by the Board.

Section 6. Secretary. The Secretary shall supervise, direct and be responsible for:

(a) keeping the minutes of the meetings of the members and of the Board in one or more books provided for that purpose. Such minutes may be opened for inspection by the members except for legal actions or proceedings and personnel matters that have been considered in executive sessions;

(b) seeing that all notices are duly given in accordance with these Bylaws or as required by law;

(c) the corporate records and of 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 or as required by law;

(d) keeping a register of the post office address of each member, which address shall be furnished to the Cooperative by such member;

(e) having general charge of the books of the Cooperative in which a record of the members is kept;

(f) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative, together with all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative, furnish a copy of such documents and of all amendments thereto to any member upon request; and

(g) generally performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board.

Section 7. Treasurer. The Treasurer shall supervise, direct and be responsible for:

(a) having custody of all funds and securities of the Cooperative;

(b) receiving and giving receipts for all monies due and payable to the Cooperative from any source whatsoever, and deposit or invest all such monies in the name of the Cooperative in such bank or banks or securities as shall be selected in accordance with the provisions of these Bylaws, except as may be delegated by the Board; and

(c) generally performing all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

Section 8. Delegation of Secretary's and Treasurer's Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided in Sections 6 and 7, the Board by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's duties to one or more agents, other officers or employees of the Cooperative who are not Board members. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

Section 9. General Manager, Executive Vice President. The Board of Directors shall appoint a general manager, who may be, but who shall not be required to be, a member of the Cooperative, and who also may be designated Executive Vice President. Such officer shall perform such duties as the Board may from time to time vest in the General Manager.

Section 10. Bonds. The Board shall require the Treasurer and any other officer, agent or employee of the Cooperative charged with responsibility for the custody and any of its funds or property to give bonds in such sum and with such surety as the Board shall determine. The Board in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

Section 11. Compensation. The powers, duties and compensation of officers, agents and management shall be fixed by the Board subject to the provisions of these Bylaws with respect to compensation for a

Board member and close relatives of a Board member.

Section 12. “Close Relative” Defined. As used in these Bylaws, “close relative” means a person who is related to the principal person by consanguinity of affinity, to the third degree or less — that is, a person who is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece, by blood or in law, of the principal.

Section 13. Reports. The officers of the Cooperative shall submit at each annual meeting of the members reports covering the business of the Cooperative for the previous fiscal year. Such reports shall set forth the condition of the Cooperative at the close of such fiscal year.

Section 14. Indemnification of Officers, Directors, Employees, and Agents; Insurance. Each director, officer, employee, or person, acting as agent for or on behalf of the Cooperative now or hereafter serving as such, shall be indemnified by the Cooperative against any and all claims and liabilities to which such person has or shall become subject by reason of serving or having served as such, shall be indemnified by the Cooperative against any and all claims and liabilities to which such person has or shall become subject by reason of serving or having served as such director, officer, employee or agent for said Cooperative, or by reason of any action alleged to have been taken, omitted, or neglected by such person as such director, officer, employee or agent and the Cooperative shall reimburse each such person for all legal expenses reasonably incurred by such person 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 own willful misconduct or gross negligence.

The amount paid to any such person by way of indemnification shall not exceed such person’s actual, reasonable and necessary expenses incurred in connection with the matter involved, such additional amount as may be fixed by a committee of not less than five (5) persons nor more than seven (7) persons selected by the Board of Directors, who shall be members of the Cooperative but not officers or directors, employees or persons performing services for the Cooperative, and any determination so made shall be prima facie evidence of the reasonableness of the amount fixed or binding on the indemnified officer, director, employee or agent. The right of

indemnification hereinabove provided for shall not be exclusive of any rights to which any director, officer, employee or agent may otherwise be entitled by law.

The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent or is serving at the request of the Cooperative as a director, officer, employee or agent of another corporation, cooperative, partnership, joint venture, trust or other enterprise against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such whether or not the Cooperative would have the power to indemnify him against such liability under the provisions of this section.

Section 15. Financial Disclosure. Any member in good standing, with good cause and with the approval of the Board of Directors, shall have the right to examine, in person, during regular business hours, all non-privileged records of the Cooperative, including financial records.

ARTICLE VII

NON-PROFIT OPERATION

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

Section 2. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the Cooperative. The Board of Directors of the Cooperative before allocating and crediting margins to its patrons may, by resolution, provide for the adoption of margin stabilization plans, revenue or expense deferral plans or other plans that provide for the retention of revenues and receipts in excess of those needed to meet current losses and expenses. Reasonable reserves may be created by the Cooperative for the payment of the incremental cost of electric power and energy purchased by

the Cooperative for resale to its patrons. Any amounts received by the Cooperative in excess of the funds necessary to provide for the reserves and plans as herein provided and in excess of operating costs and expenses shall be accounted for by the Cooperative on a patronage basis to all its patrons. All such amounts are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay by credits to a capital account for each such patron all such amounts in excess of those funds needed by the Cooperative for the purposes stated herein. 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 to an appropriate record to the capital account of each patron, and the Cooperative shall within a reasonable time after the close of the fiscal year, notify each patron of the amount of capital so credited to the patron's account; PROVIDED, that individual notices of such amounts furnished by each patron may not be required if the Cooperative notifies all patrons of the aggregate amount of such excess and provides a clear explanation of how each patron may compute and determine for themselves the specific amount of capital so credited to such patron. 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 Cooperative corresponding amounts for capital.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital then credited to patrons' accounts may be retired in full or in part. Notwithstanding any other provision of these Bylaws, the Board shall determine the method of allocation, basis, priority and order of retirement, if any, for amounts furnished as patronage capital. PROVIDED, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion "power supply or other service or supply portion" of capital credited to the accounts of patrons which corresponds to capital credited to the account of the Cooperative

by an organization furnishing electric service or any other service or supply to the Cooperative. Such rules shall:

(a) establish a method for determining the portion of such capital credited to each patron for each applicable fiscal year;

(b) provide for separate identification on the Cooperative's books of such portions of capital credited to the Cooperative's patrons;

(c) provide for appropriate notifications to patrons with respect to such portions of capital credited to their accounts and

(d) preclude a general retirement of such portions of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

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

Notwithstanding any other provisions of these Bylaws, the Board shall, at its discretion, have the power at any time upon the death of any patron, who was a natural person, if the legal representative of the estate or the heirs, beneficiaries or assigns 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 Bylaws, to retire such capital immediately upon such terms and conditions as the Board, acting under policies of general application to situations of like kind, and such legal representatives, shall agree upon; PROVIDED, however, that the financial conditions of the Cooperative will not be impaired thereby.

The Cooperative shall have a first lien upon all certificates of interests, membership, patronage capital, or other interests standing on its books for all indebtedness of the respective holders or owners thereof to the Cooperative.

The Cooperative, before retiring any capital credited to any patron's account, shall deduct therefrom any amount owing by such

patron to the Cooperative.

The patrons of the Cooperative, by receiving service from the Cooperative, acknowledge that the terms and provisions of the Amended Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a separate instrument containing such terms and provisions. The provisions of this article of the Bylaws shall be called to the attention of each patron of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Notwithstanding any other provisions of the Bylaws, if any patron or former patron fails to claim any cash retirement of capital credits or other payment from the Cooperative within three (3) years after payment of the same has been made available by check mailed to the member's last address furnished by the member to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such member of such capital credit or other payments to the Cooperative.

Failure to claim any such payment within the meaning of this section shall include the failure of such patron or former patron to cash any check mailed to the member by the Cooperative at the last address furnished to the Cooperative.

The assignment and gift provided for under this section shall become effective only upon the expiration of three (3) years from the date when such payment was made available to such patron or former patron without claim therefore and only after the further expiration of sixty (60) days following the giving of a Notice by mail or publication that unless such payment is claimed within sixty (60) days, such gift to the Cooperative shall become effective.

The Notice by mail herein provided shall be one mailed by the Cooperative to such patron or former patron at the last known address. If Notice by publication is given, such publication shall be one insertion in a newspaper circulated in the service area of the Cooperative.

The sixty (60) day period following the giving of such Notice, either by mail or publication, shall be deemed to terminate sixty (60) days after the mailing of publication of such Notice.

Section 3. Patronage in Connection with Furnishing Other Services. Funds and amounts received from non-members of the cooperative and funds and amounts other than operating margins generated from providing electrical service, received by the Cooperative from any source that exceed the Cooperatives costs and expenses may be used by the Cooperative as permanent, non-allocated capital.

ARTICLE VIII

DISPOSITION OF PROPERTY

Section 1. Encumbering Property and Making Loans. The Board of Directors shall have full power to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust of, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, license, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues therefrom, all upon such terms and conditions as the Board of Directors shall determine, to secure any indebtedness of the Cooperative to the United States of America or any agency or instrumentality thereof or any other lender, and loan money to such lenders.

Section 2. Encumbering Property to Others. The Cooperative may not, except as provided by Section 1 above, sell, lease or otherwise dispose of all or a substantial portion of its property unless such sale, lease or other disposition is authorized by the affirmative vote of not less than two-thirds (2/3) of all members of the Cooperative; members voting thereon must be present and vote in person; PROVIDED, however, that notwithstanding any other provision of these Bylaws, or any other provisions of law, the Board of Directors may, upon authorization of two-thirds (2/3) of all members of the Cooperative at a meeting of the members thereof, called for that purpose, sell, lease or otherwise dispose of all or a substantial portion of its property to another Cooperative or to the holder or holders of any notes, bonds or other evidences of indebtedness issued to the United States of America or any agency or instrumentality thereof or any other lender.

ARTICLE IX

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, South Dakota".

ARTICLE X

FINANCIAL TRANSACTIONS

Section 1. Contracts. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, employee or employees, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2. Checks, Drafts, etc. All checks, drafts and other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative as shall from time to time be determined by resolution of the Board of Directors.

Section 3. Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in a bank, banks or depositories as the Board of Directors may select.

Section 4. Change in Rates. The Board shall have full authority to adopt, modify and amend rates to be charged to the patrons and duly notify such patrons from time to time. Also, written notice shall be given to the Administrator of the Rural Electrification Administration of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in the rates charged by the Cooperative for electric energy becomes effective.

Section 5. Fiscal Year. The fiscal year of the Cooperative shall begin on the first day of January of each year and shall end on the thirty-first day of December in the same year.

Section 6. Debt Limitation. The Cooperative shall have power to borrow money and otherwise contract indebtedness, and to issue notes, bonds, and other evidences of indebtedness, and to secure the payment thereof by mortgage, pledge, or deed of trust, or any other

encumbrance upon, any or all of its then owned or after acquired real or personal property, assets, franchises, or revenues.

ARTICLE XI MISCELLANEOUS

Section 1. Membership in Other Organizations. The Cooperative may upon the authorization of the Board, purchase stock in or become a member of any corporation or organization for the purpose of engaging in or furthering the cause of rural electrification or this Cooperative, or of any other corporation for the purpose of acquiring electric facilities, all of which may be to the best interest of the Cooperative.

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

Section 3. Policies, Rules and Regulations. The Board of Directors shall have power to make and adopt such policies, rules and regulations, not inconsistent with law, the Articles of Conversion or these Bylaws, as it may deem advisable for the management of the business and affairs of the Cooperative.

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

Section 5. Publication. For the purpose of advising the members concerning the general activities and business of the Cooperative and disseminating such other information as management may deem advisable, there shall be established an official publication of the Cooperative.

The total amount of all compensation, expenses, and fees of the Cooperative's directors and legal representatives, for the preceding calendar year, set forth separately, shall be published in the issue of the official publication of the Cooperative which immediately precedes the Cooperative's annual meeting. The information shall also be reprinted in the annual meeting issue of such publication.

Section 6. Area Coverage. The Board shall make diligent efforts to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

Section 7. Rules of Order. Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws and of any other committee of the member or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Amended Articles of Incorporation or Bylaws.

Section 8. Credentials and Election Committee. The Board of Directors shall, at least ten (10) days before any meeting of the members, appoint a Credentials and Election Committee consisting of an uneven number of members, not less than five (5) nor more than nine (9) who are not close relatives or members of the same household of known candidates for directors to be elected at such meeting. In appointing the Committee, the Board shall have regard for equitable representation of the several areas served by the Cooperative. It shall be the responsibility of the Committee to pass upon all questions that may arise with respect to the registration of members, to count all ballots cast in any election or in any other ballot vote taken, and to rule upon the effect of any ballots irregularly marked. The Committee's decisions on all such matters shall be final.

ARTICLE XII
AMENDMENTS

These Bylaws may be altered, amended or repealed in accordance with the following by the members at any regular or special meeting, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

The Board of Directors by a majority vote may sponsor or propose Bylaw Amendments.

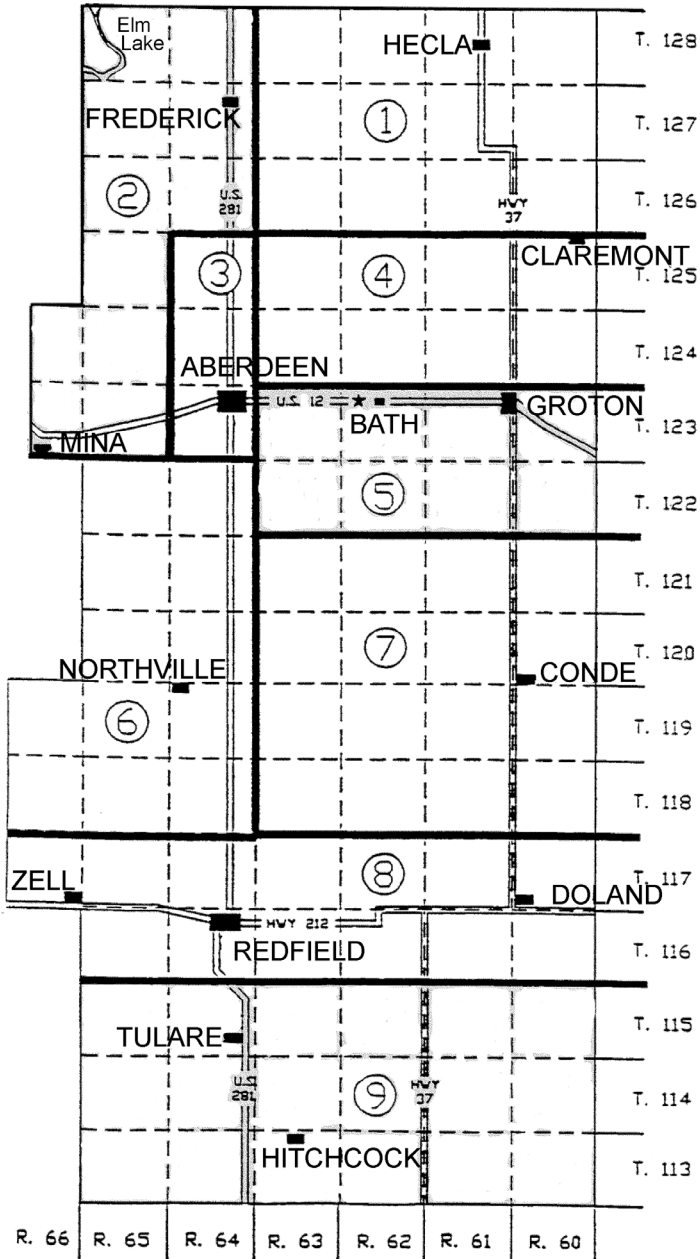
Bylaw Amendments proposed by the membership must be:

1. Sponsored by, and accompanied by a dated petition containing the printed names, addresses, and original dated signatures, obtained within sixty (60) days of the petition date, of at least twenty-five (25) members entitled to vote on the bylaw amendment;
2. Delivered to, and received by, the Cooperative at least sixty business days prior to the meeting at which the members will consider the proposed bylaw amendment;
3. After review by the Board of Directors, be determined lawful; and
4. Not altered or modified after delivery to the Cooperative.

AMENDMENT NOTES

AMENDMENT NOTES

DIRECTOR DISTRICTS OF NORTHERN ELECTRIC COOPERATIVE, INC. ESTABLISHED MAY 1, 1997



★ NORTHERN ELECTRIC HEADQUARTERS