



ARTICLES OF INCORPORATION
AND BYLAWS

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Articles of Incorporation of Todd-Wadena Electric Cooperative

Revised 04/11/13

ARTICLE I

Section 1. The name of this Association shall be TODD-WADENA ELECTRIC COOPERATIVE.

Section 2. The conduct of the business of this Association shall be upon the cooperative plan and the purposes for which it is formed are to sell, provide, deliver, furnish and distribute electric energy and other products and services to its members and patrons and to engage in any other lawful business.

Section 3. The principal place of business of this Association shall be in the City of Wadena, in the county of Wadena and the State of Minnesota.

ARTICLE II. The period of duration of this Association shall be perpetual.

ARTICLE III.

Section 1. This Association is organized on a non-stock, membership basis. The Association will maintain appropriate membership records.

Section 2. Members shall have only one vote in the affairs of this Association and membership in this Association shall not be transferable except with the approval and consent of the Board of Directors of this Association.

Section 3. No interest or dividends shall be paid upon capital furnished to the Association by its members or patrons. The net income of the Cooperative, except for amounts set aside as capital reserves or additional reserves shall be distributed on the basis of patronage. The records of this Cooperative may show the interest of patrons and members in the reserves.

ARTICLE IV.

To the fullest extent permitted by laws governing cooperative associations, as the same exists or may hereafter be amended, a director of this Association shall not be personally liable to the Association or its members for monetary damages for breach of fiduciary duty as a director.

ARTICLE V.

These Articles of Incorporation may be altered, amended, or repealed by the affirmative vote of not less than two-thirds (2/3) of the members, in aggregate, whether present in person or represented by mail or electronic means, at any annual or special meeting; provided, however, that the Articles of Incorporation of this Association shall not be altered, amended, or repealed at any meeting of the members unless notice of such proposed alteration, amendment, or repeal shall have been contained in the notice of each meeting.

ARTICLE I. MEMBERS

Section 1. Requirements for Membership. Any person, or entity shall become a member of Todd Wadena Electric Cooperative (hereinafter called the “Cooperative”) upon purchase of electric energy from the Cooperative, provided he, she or it has first: (a) Completed a written application for membership; (b) Agreed to purchase from the Cooperative electric energy; (c) Agreed to comply with and be bound by the Articles of Incorporation and By-Laws of the Cooperative and any rules and regulations adopted by the Board of Directors. Two joint occupants of the premises to be served may jointly become a member and their application for a joint membership may be accepted in accordance with the foregoing provisions of this section, provided they comply jointly with the provisions of the above subdivisions (a), (b) and (c). Upon the death of either joint member, the joint membership shall be converted to an individual membership. The estate of the deceased member, however, shall not be released from any debt or liabilities to the Association.

Section 2. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of liabilities of such member to the Cooperative and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 3. Transfer of Membership. Membership in the Cooperative shall be transferable with the completion of the authorized process, and in compliance with the requirements of Article 1, Section 1 of these Bylaws.

Section 4. Removal of Directors and Officers. The members shall have the power to remove any director or officer for cause provided it is related to the duties of director or officer. 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. The director or officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges shall have the same opportunity.

ARTICLE II. MEETINGS OF MEMBERS

Section 1. Annual Meeting. Regular meetings of the members of this Cooperative shall be held annually at such time as may be determined by the Board of Directors of the Cooperative, and at the principal place of business of the Cooperative, or at any other place conveniently located within the area served by

it. The Secretary of the Cooperative shall give notice of such meeting by publication in a legal newspaper published in the county of the principal place of business of the Cooperative at least two weeks previous to the date of the meeting, or by mailing notice thereof to each and every member personally, or, in case of an Association, to the Secretary thereof, at the member's last known post office address, not less than fifteen (15) days previous to the date of the meeting. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Special Meetings. Special meetings of the members may be called by the majority vote of the Directors of the Cooperative or upon the written petition of at least twenty percent (20%) of the members in which case it shall be the duty of the Chair of the Cooperative to cause notice of the meeting to be given as above provided. The notice shall state the time, place, and purpose of the special meeting and shall be issued within ten (10) days after the date of the presentation of such petition. Such special meeting shall be held within thirty (30) days from and after the date of the presentation of the petition.

Section 3. Proof of Notice. Upon the mailing of any notice of a regular or special meeting of the members of this Cooperative as provided herein, the Secretary of the Cooperative shall execute a certificate setting forth a correct copy of the notice and showing the date of mailing thereof, and that the same was mailed within the time and in the manner therein provided. The certificate shall be made a part of the record of the meeting. Failure of any member to receive any such notice shall not invalidate any action which may be taken by the members at such regular or special meeting. In the case of a joint membership, notice to either shall be deemed notice to both joint members.

Section 4. Quorum. At any regular or special meeting of the members of this Cooperative a quorum necessary to the transaction of business shall be 50 members. In determining a quorum at any meeting, on a question submitted to a vote by mail, or electronically, members present in person or represented by mail or electronic means 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 the meeting of either joint member or both shall be regarded as the presence of one member.

Section 5. Establishment of a Quorum. The fact of the attendance of a sufficient number of members to constitute a quorum shall be established by a registration of the members of the Cooperative present at such meeting, and of members who have submitted a vote by mail, or electronic means, if not personally present at such meeting; which registration shall be verified by the Chair and Secretary of the Cooperative and shall be recorded in the minutes of the meeting. No action by this Cooperative shall be valid or legal in the absence of a quorum at the meeting in which such action may be taken.

Section 6. Voting. Each member of this Cooperative shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members, which vote shall be in person, by mail, or by electronic means if the specific matter is authorized by the board of directors, as hereinafter provided, and not by proxy. The spouse of any member of this Cooperative may register and vote on behalf of the member at any meeting at which the member in person has not registered, unless the member has indicated otherwise. 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 meeting in person, or electronic means, or by mail, except as otherwise provided by law, the Articles of Incorporation or these By-Laws. Joint members shall jointly be entitled to one (1) vote and no more upon each matter submitted to a vote at a meeting of the members. Voting procedures, including whether or not any specific measure shall be subject to vote by electronic means, will be established by the board of directors. Any electronic ballot shall be in the form prescribed by the board of directors and shall be in substantially the same form as the proposed ballot for election of directors. Ballots received by the published deadline prior to the meeting shall be accepted and counted as a vote of the member.

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

ARTICLE III. DIRECTORS

Section 1. General Powers. The business and affairs of the Cooperative shall be managed by a board of not more than nine (9) nor less than seven (7) directors who shall be members of the Cooperative, and who shall be elected at the annual meeting of by the members for such terms and in such manner as herein provided.

Section 2. Qualifications and Tenure. At each annual meeting, directors shall be elected for the term of three years by and from the members, provided, however, that all directors shall serve until their successors have been elected and shall have qualified, subject to the provisions of these By-Laws with respect to the removal of directors. Election of directors shall be determined on the basis of plurality of the votes properly cast. In the event of a tie vote, the tie shall be broken by the toss of a coin. When a membership is held jointly either one, but not both, may be elected as a director, provided however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless both shall meet the qualifications herein set forth. No person shall be eligible to become or remain a director of the Cooperative who: (1) is not a member of the Cooperative, receiving service at the member's primary residence; (2) within three years preceding a director candidate's nomination was or during service on the Board of Directors is finally adjudged to be guilty of a felony; (3) within three (3) years preceding a director candidate's nomination was an employee of the Cooperative; (4) is or becomes, or at any time during the three (3) years preceding a director candidate's nomination shall have been, employed

by a labor union which represents, or has represented, or has endeavored to represent any employees of the Cooperative; (5) is a grandparent, parent, spouse, child, or grandchild of an employee of the Cooperative; (6) is in any way employed by or substantially financially interested in an enterprise competing with the Cooperative or any Cooperative affiliated business; (7) is absent without cause from three (3) or more regular meetings of the Board of Directors during any twelve (12) month period.

Section 3. Vacancy. In case of a vacancy on the Board of Directors, a director shall be appointed by the board until the next regular or special members' meeting, where the members must elect a director to fill the unexpired term of the vacant director's position.

Section 4. Nominations. It shall be the duty of the Board of Directors to appoint, not less than eighty (80) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members of the Cooperative; which committee shall be selected from the members so as to give equitable representation on the committee to the geographical areas served by the Cooperative. The actions of the nominating committee shall be valid as long as at least five (5) members are present for its meeting or meetings. No officers or member of the Board of Directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative at sixty (60) days before the annual meeting a list of nominations for directors, but any thirty (30) or more members may make other nominations in writing over their signatures not less than 50 days prior to the meeting and the Secretary shall post the same at the same place where the list of nominations made by the Committee is posted. The Secretary shall mail with the Notice of the Meeting a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

Section 5. Compensation. The Board of Directors shall determine the compensation for directors and the procedures and conditions for reimbursement of expenses incurred by directors.

Section 6. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these By-Laws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

Section 7. Accounting System and Reports. The Board of Directors shall cause to be established and maintained a complete accounting system which shall conform

to generally accepted accounting principles. The Board of Directors shall after the close of each fiscal year cause to be made by an independent accountant 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 kept on file in the office of the Cooperative and shall be open to inspection by any member upon request. A summary of such audit reports shall be submitted to the members at the following annual meeting.

Section 8. To the fullest extent permitted by laws governing Cooperative associations, as the same exists or may be hereafter amended, the Cooperative shall indemnify and hold harmless any person who is made, or threatened to be made, a party to any action, suit or proceeding by reason of the fact that he is or was a Director, Officer or Employee of the Cooperative.

ARTICLE IV. MEETINGS OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held without notice other than this By-Law immediately after and at the same place as the annual meeting. A regular meeting of the Board of Directors shall also be held at such time and place as the Board of Directors may provide by resolution provided, however, that such meetings of the Board of Directors shall be held at least once in every three (3) months.

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

Section 3. Notice. Notice of the time and place of any regular meeting and of the time, place, and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice delivered personally, by mail or electronic means to each director. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting except in the case the director shall attend the meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or opened.

Section 4. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 5. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except where a larger majority is required by law, the Articles of Incorporation or these By-Laws.

Section 6. Meeting by Means of Electronic Communication. Directors may participate in a meeting of the Board by means of conference telephone or similar means of communication by which all persons participating in the meeting can simultaneously hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ARTICLE V. OFFICERS

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

Section 2. Election and Term of Office. The officers shall be elected by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding annual meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these By-Laws with respect to the removal of officers.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed from said office or agency by the Board of Directors whenever in its judgment the best interests of the Cooperative will be served thereby.

Section 4. Vacancies. Except as otherwise provided in these By-Laws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Chair. The Chair shall: (a) be the principal executive officer of the Cooperative and shall preside at all meeting of the members and of the Board of Directors; (b) sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and (c) in general shall perform all duties incident to the office of Chair and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice-Chair. In the absence of the Chair, or in the event of the Chair's inability or refusal to act, the Vice-Chair shall perform the duties of the Chair, and when so acting, shall have all the power of and be subject to all the

restrictions upon the Chair and shall perform such other duties as from time to time may be assigned by the Board of Directors.

Section 7. Secretary. The Secretary shall be responsible for: (a) keeping the minutes of the meetings of the members and of the Board in books provided for that purpose; (b) seeing that all notices are duly given in accordance with these By-Laws or as required by law; (c) the safekeeping of the corporate books and records (d) keeping a register of the names and post office addresses of all members; (e) keeping on file at all times a complete copy of the Articles of Incorporation and By-Laws of the Cooperative containing all amendment thereto (which copy shall always be open to the inspection of any member) and at the expense of the Cooperative, furnishing a copy of the By-Laws and of all amendments thereto to any member upon request; and (f) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board.

Section 8. Treasurer. The Treasurer shall be responsible for: (a) custody of all funds and securities of the Cooperative; (b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these By-Laws; and (c) the general performance of all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned by the Board.

Section 9. President/CEO. The Board of Directors may appoint a President/CEO who may be, but who shall not be required to be, a member of the Cooperative. The President/CEO shall perform such duties and shall have such authority as directed by the Board of Directors.

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

Section 11. 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 and showing the condition of the Cooperative at the close of such fiscal year.

ARTICLE VI.

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

Section 2. Patronage Capital. In the furnishing of electric energy the Cooperative's operations shall be so conducted that all members and non-members alike will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis, the Cooperative is obligated to account on a patronage basis to all its members and non-members alike for all amounts received and receivable from the furnishings of electric energy in excess of operating costs and expenses. All such amounts in excess of operating costs and expenses, at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the members and non-members alike as capital. The Cooperative is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Cooperative shall, within a reasonable time after the close of the fiscal year, notify each member of the amount so credited to the member's account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the members in cash in pursuance of a legal obligation to do so, and the member had then furnished the Cooperative corresponding amounts for capital. All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its member on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of member, as herein provided.

Section 3. Liquidation of Assets. In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, outstanding capital credits shall be allocated and paid to each then record holder of capital credits in the ratio of capital credits held by each to the total of capital credits outstanding. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Association will not be impaired thereby, the capital then credited to members accounts may be retired in full or in part, provided, however, that the Board of Directors shall have the power to adopt rules providing for the separate retirement of that portion ("power supply portion") of capital credited to the accounts of members which corresponds to capital credited to the account of the cooperative by an association furnishing electric service to the cooperative. Such rules shall (a) establish a method for determining the power supply portion of capital credited to each member for each applicable fiscal year, (b) provide for separate identification on the cooperative's books of the power supply portion of capital credited to the cooperative's members, (c) provide for appropriate notifications to members with respect to the power supply portion of capital credited to their accounts, and (d) preclude a general retirement of the power supply portion of capital credited to

members for any fiscal year prior to the general retirement of capital credited to members for any fiscal year. The Board of Directors shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter credited to capital.

Section 4. Patronage Accounting. Capital credited to the account of each member shall be assignable as the Board of Directors, acting under policies of general application, shall determine.

Section 5. Retirement to Deceased Natural Persons. The Board of Directors, at its discretion, shall have the power at any time upon the death or termination of patronage of any member, who was a natural person, if such member or the legal representative of the estate shall request in writing that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provision of these By-Laws, to retire capital credited to any such member immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and such member or the legal representatives of such member's estate shall agree upon, provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Section 6. Member Agreement. The members of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation, By-Laws and policies of the Board of Directors shall constitute and be a contract between the Cooperative and each member, and both the Cooperative and the members are bound by such contract as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of the By-Laws shall be called to the attention of each member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

Section 7. Non-Electric Services. In the event that the Cooperative should engage in the business of furnishing goods or services other than electric energy, all amounts received therefrom which are in excess of costs and expenses properly chargeable against the furnishing of such goods or services shall, insofar as permitted by law, be allocated annually and returned to members of the Cooperative.

ARTICLE VII. DISPOSITION OF PROPERTY

Section 1. Disposition of Property and Other Significant Acts. The Cooperative may not sell, mortgage, lease or otherwise dispose of or encumber more than twenty-five percent (25%) of its property; merge with or consolidate into another entity that is not a rural electric cooperative association within the meaning of the Rural Electrification Act of 1936; or dissolve the Cooperative; or file for bankruptcy with the United States Bankruptcy court unless such act(s) is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds of all members of the Cooperative, and unless the notice of such

proposed act(s) shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the Board of the Cooperative, without authorization by the members thereof, shall have full power and authority 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, as well as the revenues and income therefrom, all upon such terms and conditions as the Board shall determine, to secure any indebtedness of the Cooperative.

Section 2. Disposition of Property to Another Rural Electric Cooperative. The Board may, upon the authorization of a majority of those members of the Cooperative, present at a meeting of the members thereof, in person, by mail, or by electronic means, if specifically authorized by the Board of Directors, sell, mortgage, lease, or otherwise dispose of more than twenty-five percent (25%) of its property to another rural electric cooperative doing business in this state pursuant to the Rural Electrification Act of 1936. For purposes of this article, a merger with or consolidation into another rural electric cooperative association shall not be deemed a sale, mortgage, lease or other disposal or encumbrance of property. Other provisions of these By-Laws 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.

Section 1. Amendments. These By-Laws may be altered, amended or repealed by a majority of the votes cast, in aggregate, either in person, by mail vote, or electronic means if specifically authorized by the board of directors at any annual or special meeting. The notice of such meeting shall contain a copy of the proposed amendment, alteration or repeal to be considered at the meeting. Any repeal, amendment, or alteration of these By-Laws, however, that results directly or indirectly in a change in the member approval requirements, must be approved by a majority of all members of the Cooperative.