

**Articles of Incorporation**  
**Of**  
**Redwood Electric Cooperative**

ARTICLE I

Section 1. The name of this Association shall be Redwood Electric Cooperative.

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

- a) To generate, manufacture, purchase, acquire and accumulate electric energy for its members and to transmit, distribute, furnish, sell and dispose of such electric energy to its members; and to construct, erect, purchase, lease and exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any of the foregoing purposes;
- b) To assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character and, in connection therewith and for such purposes, to purchase, acquire, lease, sell, distribute, install and repair electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment and any and all kinds and character and to receive, acquire, endorse, pledge, hypothecate and dispose of notes and other evidences of indebtedness;
- c) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of this Association;
- d) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, sell, exchange and use any and all real and personal property or any interest therein necessary, useful or appropriate to enable this Association to accomplish any and all of its purposes;

- e) To borrow money and otherwise contract indebtedness of the purposes, or any of them, for which this Association is formed, and to issue notes, bonds and other evidence of indebtedness, and to secure any of its obligations by mortgage, pledge or deed of trust of all or any of its property, assets, franchises and income;
- f) To sell and convey, mortgage, pledge, lease as lessor and otherwise dispose of all or any part of its property and assets;
- g) To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes, or as may be permitted by the Act under which the Association is formed; provided, however, that the conduct of the business of this Association shall be upon the cooperative plan.

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

Section 3. The principal place of transacting the business of this Association shall be in the Village of Clements, in the County of Redwood, and State of Minnesota.

## ARTICLE II

The period of duration of this Association shall be perpetual.

## ARTICLE III

The Association 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 Association on any capital furnished by its members.

In the furnishing of electric energy the Association's operations shall be so conducted that all members will through their patronage furnish capital for the Association. In order to induce patronage and to assure that the Association will operate on a non-profit basis the Association is obligated to account on a patronage

basis to all its members for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by the members as capital. The Association 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 Association shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Association shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to his 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 member in cash in pursuance of a legal obligation to do so the member had been furnished the Association corresponding amount for capital.

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 retired without priority on a pro rata basis. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Association will not be impaired thereby, the capital then credited to member's accounts may be retired in full or in part. Any such retirements of capital shall be made in order of priority according to the year in which the capital was furnished and credited, the capital first received by the Association being first retired. In no event, however, may any such capital be retired unless, after the proposed retirement, the capital of the Association shall equal at least forty per cent (40%) of the total assets of the Association.

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

The Board of Directors, at its discretion, shall have the power at any time upon the death of any member, if the representatives of his 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 provisions of these Articles, 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 the representatives of such member's estate shall agree upon, provided, however, that the financial condition of the Association will not be impaired thereby.

The members of the Association, by dealing with the Association, acknowledge that the terms and provisions of the Articles of Incorporation and By-Laws shall constitute and be a contract between the Association and each member, and both the Association 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 this article shall be called to the attention of each member by the Association by posting in a conspicuous place in the Association's office.

In the event that the Association should engage in the business of furnishing goods or services other than electric energy, all amounts received and receivable 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 prorated annually on a patronage basis and returned to those members from whom such amounts were obtained.

The Board of Directors shall have the power to adopt rules providing for the separate retirements of that portion ("power supply portion") of capital credit to the accounts of members which corresponds to capital credited to the account of the Cooperative by an organization furnishing electric service to the Cooperative or capital credited to the accounts of members which corresponds to capital credited to the account of the Cooperative by other cooperatives or mutual type service organizations ("other capital credits portion"). Such rules shall (a) establish a method of determining the power supply portion and other capital credits portion credited to each member for each applicable fiscal year, (b) provide for separate identification on the Cooperative's books of the power supply portion and other capital credits portion of capital credited to the Cooperative's members, (c) provide for appropriate notification to members with respect to the power supply portion and other capital credits portion of capital credited to their accounts and (d) preclude a general retirement of the power supply portion and other capital credits portion of capital credited to members for any fiscal year prior to the general retirement of other capital credited to members for the same year or of any capital credited to any members for any prior fiscal year.

#### ARTICLE IV

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

#### ARTICLE V

Section 1. The government of this Association and the management of its affairs and business shall be vested in a Board of Directors consisting of not less than seven (7) and not more than

eleven (11) members, who shall be elected by ballot by the members in such numbers and for such terms as the Board may prescribe at the Annual Meeting of the members, which shall be held beginning with the 4<sup>th</sup> Tuesday in January in the year 1938 at 1:00 P.M. and annually thereafter during the Month of February or March or April in each year and not commencing earlier than the hour of 10:00 A.M. and not commencing later than the hour of 2:00 P.M. and at a suitable place within the service area of this Association, all as the Board of Directors shall determine. Any vacancy occurring in the Board of Directors may be filled by the remaining members of the Board, except as otherwise provided by law or the By-Laws of this Association and any person elected to fill any vacancy shall hold office for the unexpired term of his predecessor in office and until his successor shall have been elected and shall have qualified.

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

#### ARTICLE VI

Section 1. Any person may become a member of this Association by complying with such rules and regulations as may be adopted by the Board of Directors.

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

#### ARTICLE VII

The fiscal year of this Association shall begin on the 1<sup>st</sup> Day of January, in each year, and end on the last day of December in the same year, and annually thereafter unless changed as provided by law.

#### ARTICLE VIII

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

