

Articles of Incorporation & Bylaws

PKM Electric Cooperative, Inc.

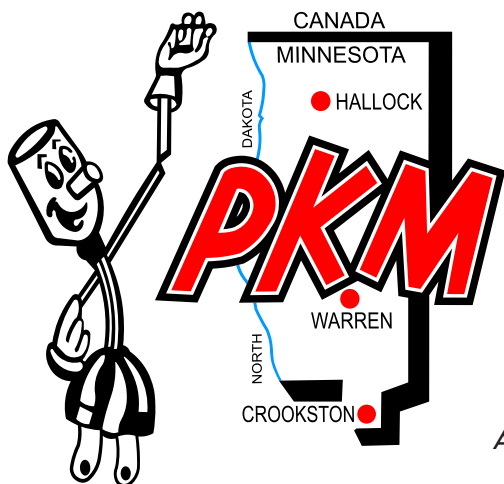
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August 2018

ARTICLES OF INCORPORATION

– of –

PKM ELECTRIC COOPERATIVE, INC.

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

ARTICLE I

Section 1. The name of this Association shall be P.K.M. Electric Cooperative, Inc.

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

This Cooperative 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 Cooperative by the laws of the State of Minnesota, now or hereafter in force.

(Section 2 of Article 1 amended at the April 6, 2002, annual meeting.)

Section 3. The principal place of transacting the business of this Association shall be in the City of Warren, in the County of Marshall and State of Minnesota.

ARTICLE II

The period of duration of this Association shall be perpetual.

ARTICLE III

Section 1. The amount of the authorized capital stock of this Association shall be Twenty-five Thousand Dollars (\$25,000.00), divided into Five Thousand (5,000) shares of the par value of Five Dollars (\$5.00) each. The shares of the authorized capital stock may be issued from time to time, and shall be paid for at such time or times and in such manner, as the Board of Directors of this Association shall determine, provided, however, that no share shall be issued for less than its par value nor unless the same has been paid for in full in cash or its equivalent and such payment has been deposited with the Treasurer of this Association.

Section 2. The ownership of the capital stock in this Association by any individual stockholder shall not exceed the par value of Two Hundred Dollars (\$200.00).

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

Section 4. No interest or dividends shall be paid or payable on any capital stock issued by this Association or on any capital furnished by its patrons.

Section 5. The Association shall, at all times, be operated on a cooperative nonprofit basis for the mutual benefit of its patrons. In pursuance thereof, the net income of this Association available for distribution among its members shall be distributed only on the basis of patronage, except such amounts as are required to be set aside as additions to reserves or may be set aside by the Board of Directors as permitted by the Act as amended under which the Association is formed. The distribution of the net income shall be distributed on the basis of patronage as more fully provided in the Bylaws.

In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, and the par value of stockholders' shares returned, outstanding patron credits irrespective of the form in which they were allocated, shall be retired without priority on a pro rata basis. Any balance remaining in excess of outstanding

patron credits shall be allocated and paid to each then record holder of patron credits in the ratio of patron credits held by each to the total of patron credits outstanding. If 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 patron credits then allocated to patrons may be retired in full or in part. Any such retirements of credits shall be made by the Board of Directors as more fully provided in the Bylaws.

Patron credits shall be transferrable only with the approval and consent of the Board of Directors of this Association.

The Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the patron credits held by the deceased be retired prior to the time such credits would otherwise be retired under the provisions of these Articles, to retire patron credits due any such patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon.

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

ARTICLE IV

(Deleted at the October 20, 1977, annual meeting.)

ARTICLE V

(Deleted at the April 6, 2002, annual meeting.)

ARTICLE VI

Section 1. The government of this Association and the management of its affairs and business shall be vested in a Board of Directors consisting of nine (9) members, who shall be elected by ballot by the stockholders for such terms as the Bylaws may prescribe at the annual meeting of the stockholders, which shall be held at a time and place as provided in the Bylaws. 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 Bylaws of this Association, and any person elected to fill any such vacancy shall hold office until the next annual meeting of the stockholders and until his successor shall have been elected and shall have qualified.

Section 2. *(Deleted at the April 6, 2002, annual meeting.)*

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

ARTICLE VII

Section 1. Any person, firm, corporation or body politic may become a member of the Association by: (a) purchasing at least one share of the capital stock of the Association; (b) agreeing to purchase from the Association the amount of electric energy hereinafter in Section 2 of this Article specified; and (c) agreeing to comply with and be bound by the Articles of Incorporation and Bylaws of the Association and any amendments thereto and such rules and regulations as may, from time to time, be adopted by the Board of Directors of the Association.

Section 2. Each member shall, as soon as electric energy shall be available, purchase from the Association all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall, from time to time, be fixed by the Board of Directors, provided, however, that the Board of Directors may limit the amount of electric energy which the Association shall be required to furnish to any one member. Each member shall pay to the Association such minimum amount per month regard-

less of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Association as and when the same shall become due and payable.

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

ARTICLE VIII

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

ARTICLE IX

The Association may at any meeting of its Board of Directors sell, mortgage, lease or exchange all of its property, rights, privileges and franchises upon such terms and conditions as the Board of Directors deem expedient, and for the best interests of the Association, when and as authorized by the affirmative vote of the holders of two-thirds (2/3) of the shares of stock of the Association issued and outstanding, given at a stockholders' meeting duly called for that purpose, or when authorized by the written consent of the holders of two-thirds (2/3) of the shares of stock of the Association issued and outstanding, provided, however, that such affirmative vote or written consent of the stockholders shall also represent the affirmative vote or written consent of at least two-thirds (2/3) of the individual stockholders of the Association, and provided further, however, that notwithstanding anything herein contained the Board of Directors shall have, without the consent or vote of the stockholders of the Association, full power and authority to borrow money from United States of America, or any agency or instrumentality thereof, and to authorize the execution and delivery of bonds, notes or other evidences of indebtedness, secured or unsecured, to evidence the indebtedness created by such loans, and to secure such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon, or the pledge of or other lien upon, all or any of the property, assets, rights,

privileges and permits of the Association wherever situated, acquired or to be acquired, upon such terms and conditions as the Board of Directors shall determine.

ARTICLE X

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

ARTICLE XI

To the fullest extent permitted by laws governing cooperative associations, as the same exist 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.

BYLAWS

– of –

PKM ELECTRIC COOPERATIVE, INC.

ARTICLE I MEMBERS

Section 1. Qualifications and Obligations.

Any person, firm, corporation or body politic may become a shareholder (hereinafter called “member”) in the Cooperative by: (a) paying the par value for one share of stock, as hereinafter specified; (b) agreeing to purchase from the Cooperative the amount of electric energy as hereinafter specified; and (c) agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative, these Bylaws and any amendments thereto and such rules and regulations as may, from time to time, be adopted by the Board of Directors, provided, however, that no person shall become a member unless and until his share subscription and application for membership (hereinafter collectively called the “application for members”) has been accepted for membership by the Board of Directors or the members. At each meeting of the members held subsequent to the expiration of a period of six (6) months from the date of incorporation of the Cooperative, all applications for membership received more than ninety (90) days prior to such meeting and which have not been accepted by the Board of Directors shall be submitted by the Board of Directors to such meeting of the members and, subject to compliance by the applicant with the conditions set forth in subdivisions (a), (b) and (c) of this section, such application for membership may be accepted by a vote of the members at such meeting. The Secretary shall give any such applicant at least ten (10) days prior to the date of the members’ meeting to which his application will be submitted and such applicant may be present and heard at the meeting. No person may own more than one (1) share of the stock of the Cooperative.

A husband and wife 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 the husband and wife comply jointly with the provisions of the above subdivisions (a), (b) and (c).

Section 2. Membership Fee.

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

Section 3. Purchase of Electric Energy.

Each member shall, as soon as electric energy shall be available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly rates which shall, from time to time, be fixed by the Board of Directors, provided, however, that the Board of Directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one member. Each member shall pay to the Cooperative such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

Section 4. Non-liability for Debts of the Cooperative.

The private property of the members shall be exempt from the execution for the debts of the Cooperative and no members shall be individually responsible for any debts or liabilities of the Cooperative.

Section 5. Forfeiture and Surrender of Share Certificates.

The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member and cause his stock certificate (hereinafter called the "certificate of membership") to be forfeited and surrendered if such member shall have violated or refused to comply with any of the provisions of the Articles of Incorporation of the Cooperative or these Bylaws or any rules or regulations adopted, from time to time, by the Board of Directors, in which case the

Cooperative shall make such refunds as required by law. The certificate of membership so forfeited and surrendered shall be retired and cancelled by the Board of Directors, and such member shall thereafter have no rights, privileges or benefits in the Cooperative. Any member so expelled and whose certificate of membership has been forfeited and surrendered may be reinstated as a member by a vote of the members at any annual or special meeting of the members. The action of the members with respect to any such reinstatement shall be final.

Section 6. Withdrawal of Membership.

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

Section 7. Transfer of Membership Certificates and Termination of Membership.

- (a) Membership in the Cooperative and the certificate representing the same shall be transferrable only with the approval and consent of the Board of Directors except as hereinafter otherwise provided. The Cooperative shall have the first right and privilege of purchasing the certificates of membership offered for sale by any member. Any certificate of membership so acquired by the Board of Directors for the Cooperative may be held as treasury certificate or may be retired and cancelled, as may be determined by the Board of Directors. Upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate, and the certificate of membership of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Cooperative.
- (b) A membership may be transferred by a member to himself or herself and his or her spouse, as the case may be, jointly upon the written request of such member and compliance by such husband and wife jointly with the provisions of subdivisions (b) and (c) of Section 1 of this Article. Such transfer shall be made and recorded on the books of the Cooperative and such joint membership noted on the original certificate representing the membership so transferred.

- (c) When a membership is held jointly by a husband and wife, upon the death of either such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Cooperative, the certificate may be reissued to and in the name of such survivor, provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

Section 8. Removal of Directors and Officers.

The members shall have the power to remove any director or officer for cause related to the duties of the position of director. Any member may bring charges against an officer or director by filing them in writing with the Secretary, together with a petition signed by ten per centum (10%) of the members, requesting the removal of the officer or director in question. The removal shall be voted upon at the next regular or special meeting of the members, provided that the said vote shall in no case take place sooner than sixty (60) days after the filing of such petition. Each page of the petition shall state the name(s) and address(es) of the member(s) initiating such charge(s) and the director(s) against whom such charge(s) is (are) being made. The petition shall be signed by each member and shall state the signatory's current address. Such director(s) shall be informed in writing of the charge(s) at least forty-five (45) days prior to the meeting of the members at which the charge(s) are to be considered, and shall have an opportunity at the meeting to be heard in person, by witnesses, by counsel or any combination of such, and to present evidence in respect of the charge(s); and the person(s) bringing the charge(s) shall have the same opportunity, but must be heard first. The question of the removal of such director(s) shall, separately for each if more than one has been charged, be considered and voted upon at such meeting. The questions of the removal of a director shall not be voted upon at all unless some evidence in support of the charge(s) against the director shall have been presented during the meeting through oral statements, documents or otherwise. Any vacancy created by such removal shall be filled by vote of the members at a subsequent regular or special meeting. Nomination shall be made as set forth in these Bylaws. The rules and procedures governing the general membership meeting and the voting by members shall, insofar as applicable, be those set forth

elsewhere in these Bylaws for the conduct of annual meetings of members. The newly-elected director succeeds and shall serve the unexpired portion of the removed director's term. In the event the entire Board of Directors is removed from office by recall, then the recalled directors shall be deemed to continue serving office for the limited purpose of carrying out, as expeditiously as possible, the nomination and election procedures described in this section.

ARTICLE II MEETINGS OF MEMBERS

Section 1. Annual Meeting.

The annual meeting of the members shall be held in the territory served by this Association on such date and time as the Board of Directors shall select each year, for the purpose of electing directors, passing upon reports covering the previous fiscal year and transacting such other business as may come before the meeting. If the day fixed for the annual meeting shall be a Sunday or legal holiday, such meeting shall be held on the next succeeding business day. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 2. Notice of Annual Meeting.

Notice of the annual meeting shall be given by the Secretary by publication in a legal newspaper or newspapers published or circulated in the counties where the Cooperative operates at least two (2) weeks previous to the date of such meeting, or by mailing notice thereof to each and every member personally not less than fifteen (15) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members.

Section 3. Special Meetings.

Special meetings of the members may be called by a majority of the directors or upon a written petition signed by at least ten per centum (10%) of all the members. Special meetings of the members may be held at any place within the County of Marshall in the State of Minnesota specified in the notice of the special meeting.

Section 4. Notice of Special Meeting.

It shall be the duty of the President to cause the Secretary to give notice of the time, place and purpose of a special meeting, either by publication in a legal newspaper or newspapers published or circulated in the counties where the Cooperative operates at least two (2) weeks previous to the date of such meeting or by mailing notice thereof to each and every member personally not less than fifteen (15) days previous to the date of such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. Such notice shall be issued with ten (10) days from and after the date of the presentation of the written petition mentioned in Section 3 of this Article II, and such special meeting shall be held within thirty (30) days from and after the date of the presentation of such petition. The failure of any member to receive notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such annual or special meeting. In case of a joint membership, notice given to either husband or wife shall be deemed notice to both joint members.

Section 5. Quorum.

At least twenty per centum (20%) of the total number of members present in person shall constitute a quorum for the transaction of business at all meetings of the members, so long as the total number of members does not exceed two hundred (200); however, in determining a quorum at a meeting on a question submitted to a vote by mail, members present in person or represented by mail vote shall be counted. In case the total number of members exceeds two hundred (200), not less than fifty (50) members, present in person, shall constitute a quorum for the transaction of business at all meetings of the members; however, in determining a quorum at a meeting, on a question submitted to a vote by mail, members present in person or represented by mail vote shall be counted. If

an insufficient number of members is present to constitute a quorum, a majority of the members present may adjourn the meeting, from time to time, without further notice. In case of a joint membership, the presence at a meeting of any one or more holders of the joint membership shall be regarded as the presence of one member.

Section 6. Establishment of a Quorum.

The attendance of a sufficient number of members to constitute a quorum at any meeting of the members shall be established by a registration of the members present at such meeting, which registration shall be verified by the President and Secretary and shall be reported in the minutes of such meeting. In case of a joint membership, registration of either husband or wife, or both, shall be regarded as the registration of one member.

Section 7. Voting.

Each member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members. 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 by mail, except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these Bylaws. If a husband and wife hold a joint membership, they shall jointly be entitled to one vote and no more upon each matter submitted to a vote at a meeting of members. The spouse of a member may vote on behalf of the member unless the member has indicated otherwise in writing to the Cooperative. An officer of a corporation shall be entitled to vote on behalf of a corporate member upon providing to the Cooperative such documentation as the Cooperative may require to prove that said officer is entitled to vote on behalf of said corporation.

Section 8. Voting By Mail.

Any member who is absent from any annual or special meeting of the members may vote by mail on the ballot herein prescribed, upon any motion, resolution or amendment to be acted upon at such meeting. The ballot shall be in the form prescribed by the Board of Directors of the Cooperative and shall contain the exact text of the proposed motion, resolution or amendment to be acted upon at such meeting and the date of the meeting; and shall also contain spaces opposite the text of such motion, resolution or amendment in which such member may indicate his affirmative or negative vote

therein. Such member shall express his choice by making an "X" in the appropriate space upon such ballot. Such ballot shall be certified to and signed by the member, if an individual, or if a corporation, by the President or Secretary thereof, and when received by the Secretary of the Cooperative, shall be accepted and counted as the vote of the absent member at such meeting. If a husband and wife hold a joint membership and are absent from any annual or special meeting of the members, they shall jointly be entitled to a vote by mail as provided in this Section. The failure of any such absent member to receive a copy of any such motion or resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting.

Section 9. Order of Business.

The order of business at the annual meeting of the members, and as far as possible, at all other meetings of the members, shall be essentially as follows:

1. Call of the roll.
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, as the case may be.
3. Reading of unapproved minutes of previous meetings of members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
5. Election of directors.
6. Unfinished business.
7. New business.
8. Adjournments.

ARTICLE III DIRECTORS

Section 1. General Powers.

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

Section 2. Qualifications and Tenure.

At each annual meeting, three (3) directors shall be elected by ballot by and from the members to serve for a term of three (3) years or until their successors have been elected and shall have qualified, subject to the provision of these Bylaws with respect to the removal of directors, provided, however, that no more than one (1) director shall be elected from any one (1) county. No person shall be eligible to become or remain a director of the Cooperative who:

1. Is not a member of the Cooperative;
2. Does not reside in Polk, Kittson or Marshall county;
3. Is in any way employed by or owns a substantial interest in an enterprise competing with this Cooperative or competing with any business owned or partially owned by this Cooperative; and
4. Is a person that is a grandparent, parent, spouse, cohabitant, child, or grandchild of an incumbent director that is not up for re-election at that time.

When a membership is held jointly by husband and wife, either one, but not both, may be elected 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 qualification hereinabove set forth. Nothing in this Section contained shall, or shall be construed to affect in any manner whatsoever, the validity of any action taken at any meeting of the Board of Directors.

(Section 2 of Article III amended at the April 6, 2002, annual meeting.)

Section 3. Nominations.

It shall be the duty of the Board of Directors to appoint, not less than seventy (70) days nor more than one hundred and twenty (120) 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 who shall be selected so as to give equitable representation on the Committee to the geographical areas served or to be served by the Cooperative. No officer 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 least twenty-five (25) days before the meeting a list of nomina-

tions for directors, but any fifteen (15) or more members may make other nominations in writing over their signatures not less than twenty (20) 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 also 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. The members may, at any meeting at which a director or directors shall be removed, as hereinbefore provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations. 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 4. Vacancies.

Subject to the provisions of these Bylaws with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled, from the same county in which the vacancy exists, by a majority vote of the remaining directors, and directors thus elected shall hold office until the next annual meeting of the stockholders and until his successor shall have been elected and shall have qualified.

Section 5. Compensation.

Directors shall receive reasonable compensation for service to the Cooperative as determined by resolution of the Board of Directors.

(Section 5 of Article III amended at the April 6, 2002, annual meeting.)

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 Bylaws, 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, among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system

as may, from time to time, be designated by the Administrator of the Rural Electrification Administration of United States of America. All accounts of the Cooperative shall be examined by a committee of the Board of Directors which shall render reports to the Board of Directors at least four (4) times a year at regular meetings of the Board of Directors. The Board of Directors shall have prepared before each annual meeting of the Cooperative a complete audit of the accounts, books and the financial condition of the Cooperative as of the end of each fiscal year. A summary of such audit reports shall be submitted to the members at the following annual meeting.

Section 8. Change in Rates.

Written notice shall be given to the Administrator of the Rural Electrification Administration of 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.

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 Bylaw, immediately after the annual meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place within the service area of the Cooperative's power supplier, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

(Section 1 of Article IV amended at the April 6, 2002, annual meeting.)

Section 2. Special Meetings.

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

Section 3. Notice.

Notice 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 or mailed, to each director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

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 which a quorum is present shall be the act of the Board of Directors.

ARTICLE V OFFICERS

Section 1. Number.

The officers of the Cooperative shall be a President, Vice President, Secretary and Treasurer. 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 Bylaws 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 by the Board of Directors whenever in its judgement the best interests of the Cooperative will be served thereby.

Section 4. Vacancies.

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

Section 5. President.

The President shall:

- (a) be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the Board of Directors;
- (b) sign, with the Secretary, certificates of membership, the issue of which shall have been authorized by resolution of the Board of Directors, and may 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 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 shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors, from time to time.

Section 6. Vice President.

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

Section 7. Secretary.

The Secretary shall:

- (a) keep the minutes of meetings of the members and the Board of Directors in one or more books provided for that purpose;

- (b) see that all notices are duly given in accordance with these Bylaws or as required by law;
- (c) be custodian of the corporate records;
- (d) keep a register of the post office address of each member which shall be furnished to the Secretary by such member; and
- (e) in general perform all duties incident to the office of Secretary and such other duties as, from time to time, may be assigned to Secretary by the Board of Directors.

Upon the request of the Secretary, the Board of Directors shall authorize the Secretary to delegate any or all of the duties to responsible employees of the Cooperative.

(Section 7 of Article V amended at the April 6, 2002, annual meeting.)

Section 8. Treasurer.

The Treasurer shall:

- (a) have charge and custody of and be responsible for all funds and securities of the Cooperative;
- (b) receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit all such moneys in the name of the Cooperative in such banks as the Board of Directors selects; and
- (c) in general perform all the duties incident to the office of Treasurer and such other duties as, from time to time, may be assigned to him by the Board of Directors.

Upon the request of the Treasurer, the Board of Directors shall authorize the Treasurer to delegate any or all of the duties to responsible employees of the Cooperative.

(Section 8 of Article V amended at the April 6, 2002, annual meeting.)

Section 9. Chief Executive Officer.

The Board of Directors may appoint a Chief Executive Officer who may be, but who shall not be required to be a member of the Cooperative. The Chief Executive Officer shall perform such duties as the Board of Directors may, from time to time, require of him and shall have such authority as the Board of Directors may, from time to time, vest in him.

Section 10. Bonds of Officers.

(Deleted at the April 6, 2002, annual meeting.)

Section 11. Compensation.

The compensation, if any, of any officer of the Cooperative shall be determined by the Board of Directors.

(Section 11 of Article V amended at the April 6, 2002, annual meeting.)

Section 12. 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 year and showing the condition of the Cooperative at the close of such fiscal year.

**ARTICLE VI
CONTRACTS, CHECKS AND DEPOSITS**

Section 1. Contracts.

Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or agents, 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 or 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 and in such manner 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 such bank or banks as the Board of Directors may select.

ARTICLE VII MEMBERSHIP CERTIFICATES

Section 1. Certificates of Membership.

Membership in the Cooperative shall be evidenced by a certificate of membership, which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of the Cooperative or these Bylaws. Such certificate shall be signed by the President and by the Secretary of the Cooperative and the corporate seal shall be affixed thereto.

Section 2. Issue of Membership Certificates.

No membership certificates shall be issued for less than the membership fee fixed in these Bylaws, nor until such membership fee has been fully paid for in cash, and such payment has been deposited with the Treasurer.

Section 3. Lost Certificate.

In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Cooperative as the Board of Directors may prescribe.

ARTICLE VIII NONPROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited.

No interest or dividends shall be paid or payable on any capital stock issued by this Association or on any capital furnished by its patrons.

Section 2. Distribution of Earnings.

The income of the Cooperative shall be derived from the operation and carrying on the business of the Cooperative under and pursuant to the terms of its Articles of Incorporation. The conduct of the business shall be upon the Cooperative plan and the net income of the Cooperative, available for distribution among its members, shall be distributed only on the basis of patronage, except such amounts as are required to be set aside as additions to reserve or may be set aside by the Board of Directors as permitted by the Act as amended, under which the Association is formed. All patronage refunds shall be

made upon the basis provided in the Act as amended, under and pursuant to which the Cooperative is organized. Nothing herein contained shall be construed to prohibit the payment by the Cooperative of all or any part of its indebtedness prior to the date when the same shall become due.

In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, and the par value of the stockholders' shares returned, outstanding patron credits, irrespective of the form in which they were allocated, shall be retired without priority on a pro rata basis. Any balance remaining in excess of outstanding patron credits shall be allocated and paid to each then record holder of patron credits in the ratio of patron credits held by each to the total of patron credits outstanding.

If, at any time prior to dissolution or liquidation, the Board of Directors 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. Any such retirements of capital furnished prior to January 1, 1994, 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 Cooperative being first retired. After December 31, 1993, the Board of Directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts thereafter furnished as capital.

Any member who receives service from the Cooperative under a rate schedule, which is applied only to such member under a separate and individual contract made between such member and the Cooperative may receive his capital credits in the form of credits upon his energy bill if the Board of Directors so determines. In such event, the credit shall be applied after the expiration of the calendar year for which the credit is to be determined. The credit to be allowed shall be computed in accordance with the following formula:

The credit to be allowed shall be the sum total of the revenues received from the contracting member during the calendar year, less the following deductions:

- (1) The cost of energy purchased to supply such contracting member including a reasonable line loss;
- (2) Such fixed amount as shall be determined by the Board of Directors to be sufficient to cover consumer billing and collecting for such contracting member;

- (3) A depreciation charge based upon all construction costs directly incident to bringing the service to such contracting member, plus interest upon such costs at the rate of two percent (2%) per annum;
- (4) All labor charges directly chargeable against the maintenance of the lines to such contracting member and including labor for substation maintenance and, in addition, a reasonable per centum of the total of such direct labor charges to repay the Cooperative for the general overhead incident to such labor;
- (5) All extra costs directly chargeable to bringing the service to such contracting member; and
- (6) A reasonable share of the total operating expense of the Cooperative for the calendar year for which such capital is being computed.

Patron credits shall be transferrable only with the approval and consent of the Board of Directors of this Cooperative.

The Board of Directors, at its discretion, shall have the power at any time upon the death of any patron, if the legal representative of his estate shall request in writing that the patron credits held by the deceased be retired prior to the time such credits would otherwise be retired under the provisions of these Bylaws, to retire patron credits due any such patron immediately upon such terms and conditions as the Board of Directors, acting under the policies of general application, and the legal representatives of such patron's estate shall agree upon.

If at any time a member shall cease to take electric service from the Cooperative or shall fail to comply with the provisions of these Bylaws, the Cooperative may elect to cancel his membership by tendering to him the par value or book value of his stock, whichever is lesser. The Cooperative shall also have the authority to offset debts owed by a member or patron to the Cooperative against his outstanding patron credits or stock.

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

Section 3. Net Income to Pay Subscriptions to Official Newspaper.

Twenty-five cents (25 cents) of the amount of net income available to each member each year is to be used for a year's subscription to The PKM News, the official Cooperative newspaper. The Board of Directors is authorized to pay said subscriptions annually for each member, charging the amount of the subscription to the net income available to each patron.

Section 4. Right to Offset.

The Cooperative shall at no time be required to retire the patronage credits or the membership capital of any member who has not paid the member's obligation to the Cooperative, and the Board of Directors may, in its discretion, apply any member's patronage credits and membership capital against the unpaid obligations of the member in the same manner as if the member were deceased.

(Section 4 of Article VIII amended at the April 14, 2007, annual meeting.)

ARTICLE IX WAIVER OF NOTICE

Any member or director may waive, in writing, any notice of meetings required to be given by law, the Articles of Incorporation or these Bylaws. In case of a joint membership a waiver of notice signed by either husband or wife shall be deemed a waiver of notice of such meeting by both joint members.

ARTICLE X DISPOSITION OF PROPERTY

The Cooperative may at any meeting of its Board of Directors sell, mortgage, lease or exchange all of its property, rights, privileges and franchises upon such terms and conditions as the Board of Directors deem expedient, and for the best interest of the Cooperative, when and as authorized by the affirmative vote of the holders of two-thirds (2/3) of the shares of stock issued and outstanding, given at a members' meeting duly called for that purpose, or when authorized by the written consent of the holders of two-thirds (2/3) of the shares of stock issued and outstanding, provided, however, that such affirmative vote or written consent of the members shall also represent the affirmative vote or written consent of at least

two-thirds (2/3) of the individual members; and provided further, however, that notwithstanding anything herein contained, the Board of Directors, without authorization by the members, shall have full power and authority to borrow money from United States of America, or any agency or instrumentality thereof, and in connection with such borrowing to authorize the making and issuance of bonds, notes or other evidences of indebtedness and, to secure the payment thereof, to authorize the execution and delivery of a mortgage or mortgages, or a deed or deeds of trust upon, or the pledging or encumbering of any or all property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, all upon such terms and conditions as the Board of Directors shall determine.

ARTICLE XI FISCAL YEAR

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

ARTICLE XII MEMBERSHIP IN OTHER ORGANIZATIONS

The Cooperative may become a member of any other organization upon approval by the Board of Directors, provided that the directors must obtain approval of an affirmative vote of the members at the next annual meeting to continue to be a member of such organization. The notice of said annual meeting shall specify that action is to be taken upon such proposed membership as an item of business.

ARTICLE XIII SEAL

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

ARTICLE XIV
AMENDMENTS

These Bylaws may be altered, amended or repealed by the members at any regular or special meeting if approved by a majority of the votes cast, provided the notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal. Any repeal, amendment or alteration of Article X or this sentence of Article XIV, however, that results, directly or indirectly, in a change in the member approval requirements for acts described in Article X, must be approved by a majority of all members of the Cooperative.

PKM Electric Cooperative, Inc.
www.pkmcoop.com