

Articles of Incorporation & Bylaws

PKM Electric Cooperative, Inc.

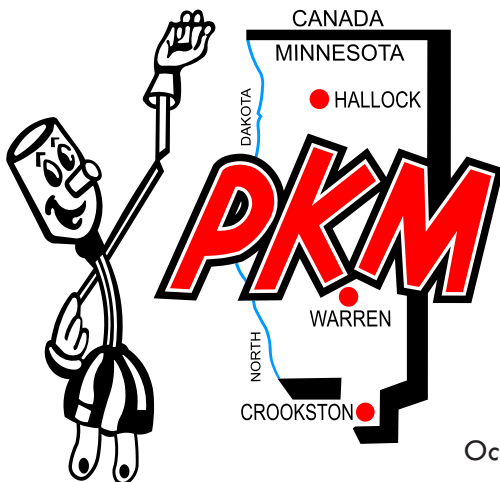
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Warren, Minnesota 56762

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October 2022

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 corporation shall be P.K.M. Electric Cooperative, Inc.

Section 2. The conduct of the business of this Cooperative shall be upon the cooperative plan.

Section 3. The purposes of the Cooperative are to purchase, acquire, accumulate, sell, provide, deliver, furnish, transmit or distribute electric energy and other services and products to its Members and patrons and to engage in any other lawful business.

Section 4. This Cooperative shall be authorized to exercise and enjoy all of the powers, rights and privileges granted to or conferred upon cooperatives of the character of this Cooperative by the laws of the State of Minnesota, now or hereafter in force.

Section 5. The registered office and principal place of business of the Cooperative is 406 North Minnesota Street, Warren, Minnesota 56762.

ARTICLE II

The period of duration of this Cooperative shall be perpetual.

ARTICLE III

Section 1. The amount of the authorized capital stock of this Cooperative 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 Cooperative shall determine, provided, however, that no share shall be issued for less than its par value nor unless the same has been paid for in full in cash or its equivalent and such payment has been deposited with the Treasurer of this Cooperative.

Section 2. The ownership of the capital stock in this Cooperative by any individual stockholder shall not exceed the par value of Two Hundred Dollars and no/100 Cents (\$200.00).

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

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

Section 5. The Cooperative shall, at all times, be operated on a cooperative nonprofit basis for the mutual benefit of its Members. In pursuance thereof, the net income of this 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 reserves or may be set aside by the board of directors as permitted by the Minnesota Cooperative Law Act as amended under which the Cooperative 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 Cooperative, after all outstanding indebtedness of the Cooperative 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 Cooperative 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 Cooperative.

The Members 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 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 this Article shall be called to the attention of each Member of the Cooperative by posting in a conspicuous place in the Cooperative's office.

ARTICLE IV

Section 1. The government of this Cooperative and the management of its affairs and business shall be vested in a board of directors 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 Cooperative, and any person elected to fill any such vacancy shall hold office until the next annual meeting of the stockholders and until their 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, Bylaws of this Cooperative or the laws of the State of Minnesota, as it may deem advisable

for the management, administration and regulation of the business and affairs of this Cooperative.

ARTICLE V

To the fullest extent permitted by law, as the same exist or may hereafter be amended, a director of this Cooperative shall not be personally liable to the Cooperative or its members for monetary damages for breach of fiduciary duty as a director, except for the following cases:

- 1) For acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law; or,
- 2) For a transaction from which the director derived an improper personal benefit.

ARTICLE VI

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

BYLAWS

– of –

PKM ELECTRIC COOPERATIVE, INC.

ARTICLE I MEMBERS

Section 1. Qualifications and Obligations.

Any natural person, firm, corporation, business trust, partnership, federal agency, tribe, state or political subdivision or agency thereof, or body politic, with the capacity to enter legally binding contracts may become a shareholder (hereinafter called “Member”) in the Cooperative by:

- (a) paying the par value for one share of stock, and completing an application for membership in form and substance as may be required by the Cooperative; and
- (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 amendments thereto and such rules and regulations as may, from time to time, be adopted by the board of directors (“Governing Documents”).

An Entity includes a domestic or foreign: cooperative; business or nonprofit corporation; sole proprietorship; unincorporated association; limited liability company; partnership; trust; estate; persons having a joint or common economic interest; and local, regional, state, federal or national government, including an agency or division of a government.

Except as otherwise provided in these Bylaws or by the board, a qualified person becomes a Member of the Cooperative and consents to being a Member upon (1) using, or requesting or agreeing to use, electric energy provided by the Cooperative; (2) within thirty (30) days of this use, request or agreement,

receiving written notice that the person is a Member and consents to being a Member unless the person notifies the Cooperative in writing within seven (7) days of receiving the notice that the person does not consent to being a Member; and (3) failing to notify the Cooperative in writing within seven (7) days of receiving the notice that the person does not consent to being a Member.

Section 2. Joint Membership.

Any two (2) or more potential qualified Members joined in a legally recognized relationship, who occupy the same location to or for which the Cooperative provides or will provide a cooperative service may jointly become a Member (“Joint Member”) and their application may be accepted in accordance with the provisions found in this article. The term “Member” includes all those holding a joint membership. Any provisions relating to the rights and liabilities of membership apply equally to all holders of a joint membership, specifically and without limitation:

- (a) The presence at a meeting of any Member constitutes the presence of all Joint Members and is a joint waiver of notice of the meeting;
- (b) The vote of any of those holding joint membership, separately or all, jointly constitutes one joint vote;
- (c) A waiver of notice signed by any of those holding the joint membership is a joint waiver;
- (d) Notice for any purpose under these Bylaws to any of those holding the joint membership is notice to all holding the joint membership;
- (e) No more than one individual of those holding a joint membership may be elected or appointed as an officer or director of the Cooperative, provided that all of those holding the joint membership meet the qualifications for such position;
- (f) Upon the death of any of those holding a joint membership, such membership shall be held solely by the survivors;
- (g) Joint membership shall not be automatically terminated by divorce or separation;
- (h) Joint membership shall continue until such time as the Cooperative shall receive sufficient notice, in writing, of any change in status, signed by all of the Joint Members;

- (i) A membership may be transferred by a Joint Member to the remaining holder(s) of the joint membership only upon (1) written request of the transfer by such Member, (2) agreement to the transfer by the remaining holder(s) and compliance by such remaining holder(s) of the joint membership with the Governing Documents and (3) approval by the board of directors. Such transfer shall be made and recorded on the books of the Cooperative.

Section 3. Purchase of Electric Energy.

Each Member shall, as soon as electric energy shall be available,

- (a) purchase from the Cooperative all electric energy used on the premises specified in their application for membership; and
- (b) pay monthly rates which shall, from time to time, be fixed by the board of directors; and
 - (1) The board of directors may limit the amount of electric energy which the Cooperative shall be required to furnish to any one Member.
 - (2) It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by Members as capital as provided in these Bylaws.
- (c) 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; and
- (d) pay all amounts owed by them 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.

- (a) The board of directors may, by the affirmative vote of not less than two-thirds (2/3) of the directors thereof, expel any Member and cause their stock certificate (hereinafter called the "Certificate of Membership") to be forfeited and

surrendered if such Member shall have been deemed by the board of directors to 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.

- (b) The membership of a Member who, for a period of six (6) months after service is made available, has not purchased electric energy from the Cooperative, or of a Member who has ceased to purchase energy from the Cooperative, may be cancelled at the discretion of the board of directors.
- (c) 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.
- (d) Any Member so expelled and whose Certificate of Membership has been forfeited and surrendered may be reinstated as a member by a majority vote of the membership 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 a treasury certificate or may be retired and cancelled, as may be determined by the board of directors. Upon the death, cessation of existence, expulsion or withdrawal of a Member, the membership of such Member shall

thereupon terminate, 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) When a membership is held jointly by individuals joined in a legally recognizable relationship, 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.
- (c) Upon discovery that the Cooperative has been furnishing electric service to any person other than a Member, it shall cease furnishing such service unless such person applies for membership retroactively to the date on which such person first began receiving such service, in which event the Cooperative, to the extent practicable, shall correct the membership and all related records accordingly.

Section 8. Voting Privileges.

- (a) A Member of the Cooperative is only entitled to one vote.
- (b) Any Member having more than one electric service shall use the service located at the Member's principal place of residence, or non-natural Member's principal place of business, within the service territory for voting and representation purposes.
- (c) A Member may exercise voting rights on any matter that is before the membership at a members' meeting from the time the Member arrives at the members' meeting until the voting closes, unless otherwise noted in the notice of the members' meeting.
- (d) A Member's vote at a members' meeting must be in person or by mail, or board-approved electronic means, and not by proxy.
- (e) A Member may vote by mail on the ballot (a "Mailed Ballot") prescribed in this section on motion, resolution or amendment that the Board submits for vote by mail to the

Members, and a Member shall be allowed to vote by mail for the election of directors.

- (f) The Mailed Ballot shall be in the form prescribed by the Board and shall contain:
 - (1) The exact text of the proposed motion, resolution or amendment to be acted on at the meeting; or
 - (2) The names, number, district and term length of the candidates for the director position(s) to be filled; and
 - (3) Spaces opposite the text of the motion, resolution or amendment, or candidate's name, in which the member may indicate an affirmative or negative vote.
- (g) The Member shall express a choice by marking an "X" in the appropriate space on the Mailed Ballot and mail or deliver the Mailed Ballot to the Cooperative in a plain, sealed envelope (the "Privacy Envelope") inside another envelope (the "Return Identification Envelope") bearing the Member's name, or other identifying mark as the board may subscribe.
- (h) A properly executed Mailed Ballot received on or before the date of the members' meeting shall be accepted by the Cooperative and counted as the vote of the Member.
- (i) The Member may vote by electronic means on the ballot on any motion, resolution or amendment or director election that the board submits for vote by electronic means to the Members.
- (j) A Member who is other than a natural person must designate a natural person to represent it by giving the Cooperative a written notice at or before the member meeting, which shows that the named representative has been authorized by the managing board of such Member to represent it at the meeting of the Cooperative. An individual may represent no more than one such Member, but may also vote as an individual if they are a Member individually.
- (k) Unless otherwise provided by law, the Articles of Incorporation, or these Bylaws, a majority of the Member votes cast, in person (and by mail or other electronic means on a question so proffered by the board of directors), shall determine the passage of any motion, resolution or amendment submitted to the membership.

The candidate receiving a plurality of the votes cast, in person and by mail, for each directorship shall be elected. A coin flip shall resolve any tie.

Section 9. Member Grants of Property Rights.

As required by the Cooperative for a cooperative purpose, a Member shall: (1) provide the Cooperative safe and reliable access to or use of Member property; and (2) pursuant to terms and conditions specified by the Cooperative, and without compensation from the Cooperative, grant or convey to the Cooperative a written or oral easement, right-of-way, license or other right or interest in member property, and execute a recordable document regarding this grant or conveyance.

ARTICLE II MEETINGS OF MEMBERS

Section 1. Annual Meeting.

The annual meeting of the members shall be held in the territory served by this Cooperative 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 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.

- (a) Notice of the annual meeting shall be given by the Secretary by publication and/or mail, which includes the US Postal Service or electronically:
- (1) Publication in a legal newspaper published in the county of the principal place of business of the Cooperative;
 - (2) Publication in a magazine, periodical, or other publication of the Cooperative that is regularly published by or on behalf of the Cooperative and circulated generally among Members; or

(3) Mailing the annual members' meeting notice to each Member personally at the Member's last known mailing address.

(b) The annual members' meeting notice must be published at least two (2) weeks before the date of such meeting, or mailed at least fifteen (15) days before 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 their address as it appears on the records of the Cooperative, with postage thereon prepaid. When distributed through electronic means, it shall be deemed to be delivered when sent to the Members' email address, or other designated electronic delivery method, as it appears on the record of the Cooperative.

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.

(a) The Secretary shall give notice of a special members' meeting, by publication and/or by mail, which includes the US Postal Service or electronically:

(1) publication in a legal newspaper published in the county of the principal place of business of the Cooperative;

(2) publication in a magazine, periodical or other publication of the Cooperative that is regularly published by or on behalf of the Cooperative and circulated generally among members; or

(3) mailing the special members' meeting notice to each Member personally at the Member's last known mailing address.

(b) The special members' meeting notice shall state the time, place, and purpose of the special members' meeting.

(c) The special members' meeting notice shall be issued within ten (10) days from and after the date of the

presentation of a Member's petition, and such special members' meeting shall be held within thirty (30) days after the date of the presentation of the Members' petition.

Section 5. Failure to Receive Notice and/or Mailed/Electronic Ballot.

The failure of any Member to receive notice of an annual or special meeting of the Members and/or the Mailed/Electronic Ballot shall not invalidate any action, which may be taken by the Members at any such annual or special meeting.

Section 6. Certification of Mailed Meeting Notice.

- (a) After mailing special or annual members' meeting notices, the Secretary shall execute a certificate containing:
- (1) A correct copy of the mailed or published notice;
 - (2) The date of mailing or publishing the notice; and
 - (3) A statement that the special or annual members' meeting notices were mailed or published as prescribed by these Bylaws.
- (b) The certificate shall be made a part of the record of the meeting.

Section 7. Quorum.

A quorum necessary to the transaction of business at any meeting of the members shall be at least fifty (50) Members ("Member Quorum"). In determining a quorum at a meeting on a question submitted to a vote by mail or electronic means, members present in person or represented by mail or electronic 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.

Section 8. 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, in person and by Mailed/Electronic Ballot, 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 Member, or both, shall be regarded as the registration of one Member. Upon a Member being present for any purpose at a member

meeting, the Member is deemed present for Member Quorum purposes for the remainder of the member meeting and for any adjourned member meeting, unless a new record date is, or must be, set for that adjourned member meeting. No action at any meeting of the members shall be valid and legal unless a quorum is present at the meeting at which such action may be taken.

Section 9. 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 Member Quorum is present, all questions shall be decided by a vote of a majority of the members voting thereon at such meeting in person, by mail, or by electronic ballot, except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these Bylaws. A joint membership shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of members. 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 10. Voting By Mail or Electronic Ballot.

Any Member who is absent from any annual or special meeting of the members may vote by mail or electronic means only as provided in these Bylaws and in a manner determined by the board of directors, 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 their affirmative or negative vote therein. Such Member shall express their 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. 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 11. Order of Business.

The board of directors 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 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 duly 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 except in the instance of a vacancy as established below.

Persons eligible to become or remain a director of the Cooperative shall:

- (a) be a member in good standing of the Cooperative, receiving electric service at the member's primary residence in the district from which the director is elected prior to being nominated for director and so shall remain throughout the term of their directorship; provided further, that "primary residence" is defined as the residence that is the chief or main residence of the Member and where the Member actually lives for the most substantial portion of the year;
- (b) have voting rights within the district from which the director is to be elected;
- (c) not be employed by, materially affiliated with, or have a material financial interest in, any individual or entity which either is:
 - (1) Directly or substantially competing with the Cooperative; or

- (2) Selling goods and services in substantial quantity to the Cooperative; or
- (3) Possessing a substantial conflict of interest with the Cooperative;

For purposes of this section, the terms “material” or “substantially” shall be interpreted as constituting a minimum of 5% of a Member’s total hours of employment, sales or income on an annual basis;

- (d) not be, nor within three (3) years preceding a director candidate’s nomination have been, an employee of the Cooperative;
- (e) not be a close relative of an existing employee, or existing director, where as found in these Bylaws “close relative” means any individual who is, either by blood, law or marriage, including half, step, foster and adoptive relations, a spouse, child, grandchild, parent, grandparent, uncle, aunt or sibling, or principally resides in the same residence;
- (f) be only one (1), and not more than one (1), member of a joint membership, provided, however, that none shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless all shall meet the qualifications herein set forth;
- (g) if a Member of the Cooperative is not a natural person, i.e. a corporation, partnership, limited liability company, or similar, then the Member may appoint or elect one (1) duly authorized natural person, residing within the external boundaries of the district from which they are nominated, to be eligible for election as a director to the board of directors;
- (h) never have been convicted of a felony;
- (i) not be or become the full-time employee or agent of, or be or become the full-time employer or principal of, another director;
- (j) agree, upon election, to regularly attend all board, regular and special members’ meetings; and

Exception. In regard to the restrictive provisions of this section that are based upon close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected a director if, during a director’s incumbency, a director

becomes a first kindred relative of another incumbent director or of a Cooperative employee because of a marriage or an adoption to which the director was not a party.

Disqualification. After the board of directors determines that a director or a nominee for director lacks eligibility under the provisions of this section or as may be provided elsewhere in these Bylaws, it shall be the duty of the board to promptly make a disqualification. After the board of directors determines that any person being considered for, or already holding, a directorship lacks eligibility under this section, it shall be the duty of the board to withhold such position from such person or to cause a director to be removed there from, as the case may be.

Actions of the board of directors. Nothing contained in this section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board unless such action is taken with respect to a matter in which one or more of the directors have a personal interest in conflict with that of the Cooperative.

Section 3. Nominations and Elections.

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 ("Committee") 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 nominations for directors, but any fifteen (15) or more Members may make other nominations in writing, by petition, 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 and terms 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 hereinafter provided, elect a successor or successors thereto without compliance with the foregoing provisions with respect to nominations.

Notwithstanding anything in these Bylaws or applicable procedural rules to the contrary, a candidate who is the only qualified nominee for a seat up for election may be elected at the annual meeting of the members by motion adopted or by a voice vote, show of hands or other appropriate means.

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. Filling Vacancies.

Subject to the provisions of these Bylaws with respect to the removal of directors, vacancies occurring in the board of directors may be filled, from the same district 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 members and until their successor shall have been elected and shall have qualified.

Section 5. Removal.

By Members:

- (a) Members may remove a director for cause related to the duties of the position of director and fill the vacancy caused by the removal.
- (b) Any Member may bring charges against a director by filing them in writing with the Secretary, together with a petition signed by ten (10%) percent of the Members, requesting the removal of the director in question by reason(s) thereof.
- (c) The removal shall be voted upon at the next meeting of the members
- (d) The director against whom such charges have been brought shall be informed in writing of the charges twenty-five (25) days prior to the meeting and shall have an opportunity at the meeting to be heard in person or represented by counsel and to present evidence; and the person(s) bringing the charges against him/her shall have the same opportunity.

By Directors:

Upon failure of a director to meet or maintain the qualifications described in these Bylaws, the board of directors shall remove a director at a board meeting and fill the vacancy caused by the removal pursuant to Section 4.

- (a) Directors may remove a director for cause by a vote of three-fourths (3/4) of the directors at a duly constituted and conducted meeting of the board of directors.
- (b) The director against whom such charges have been brought shall be informed in writing of the charges twenty-five (25) days prior 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(s) bringing the charges against him/her shall have the same opportunity.

Section 6. Compensation.

Directors are not employees of the Cooperative and, as such, shall not receive any salary for their services, but by resolution of the board, a fixed sum and reasonable expenses for attendance may be allowed for each meeting of the board, and such other meetings and conferences as may be approved by resolution of the board from time to time.

Section 7. Rules and Regulations.

The board of directors shall have power to make and adopt such rules and regulations, not inconsistent with the laws of the state of Minnesota, 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 8. Accounting System and Reports.

The board of directors shall cause to be established and maintained a complete accounting system which shall conform to such accounting system as may, from time to time, be designated by the Administrator of the U.S. Department of Agriculture Rural Utilities Service and Generally Accepted Accounting Principles.

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. The board of directors shall arrange

for a full and 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 members' meeting.

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. For good cause, the President may change the date, time or location of any regular meeting, provided notice of the change is provided to the directors in the manner required herein. Any director not present at any regular meeting at which the regular meeting date, time or location is changed is entitled to receive notice of the regular meeting change at least five (5) days before the next regular 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.

The matters that may be acted upon at a special meeting are restricted to those stated in its call and notice.

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, electronically or mailed, to each director at the director's last known physical address or email address if by electronic means. Any director may waive notice of any meeting. 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.

Section 6. Emergencies.

Any or all directors may participate in any meeting of the board of directors by any means of communication through which the directors may simultaneously hear and speak to each other during such meeting. For purposes of establishing a quorum and taking any action, such directors participating pursuant to this section shall be deemed present in person at the meeting. This section is intended to be utilized only in unusual or emergency situations and not to replace normal attendance at board of directors' meetings.

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 may be convenient. 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 their 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:

- (a) shall be the principal executive officer of the Cooperative and shall preside at all meetings of the members and of the board of directors;
- (b) may sign, with the Secretary, or any other proper officer of this Cooperative, 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 the President's 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 the Vice President 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;
- (e) execute certifications of mailed or published meeting notices in accordance with these Bylaws or as required by law;
- (f) keep on file at all times a complete copy of the Bylaws of the Cooperative containing all amendments thereto, which copy shall always be open to the inspection of any member, and at the expense of the Cooperative, forward a copy of the Bylaws and of all amendments thereto to each member upon request; and
- (g) 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 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 the Treasurer 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 9. Chief Executive Officer.

The board of directors shall employ an individual to serve as Chief Executive Officer ("CEO") and fix their compensation and all other terms of their employment. The CEO shall actively supervise all of the ordinary course of business of this Cooperative. The CEO shall perform such other duties as the board of directors may, from time to time, require of the CEO and shall have such authority as the board of directors may, from time to time, vest in them.

Section 10. Director and Officer Liability Insurance.

The board of directors shall require the purchase by the Cooperative of officers' and directors' liability insurance to cover the acts and/or omissions of such persons while working in their capacity on behalf of the Cooperative.

Section 11. Compensation.

Board of director officers shall not receive any salary for their services as such, except that some or all of the officers may, by policy of the board of directors, receive a reasonable dollar amount for the additional obligations imposed upon them by virtue of their respective office(s).

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.

Section 13. Additional Officers.

The board may appoint such additional officers that may be directors or Members, but shall not be required to be, as the board determines is in the best interests of this Cooperative. Such officers shall serve for a term not exceeding the term of the President and shall have such power and duties as the board determines.

Section 14. Delegation of Duties.

If the board delegates any responsibilities and duties of the officers to employees or agents of the Cooperative,

to the extent that the board delegates those duties and responsibilities, the officer whose duties and responsibilities are delegated shall be released from such duties and responsibilities.

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 may 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 Certificate of Membership 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 DISTRIBUTION OF EARNINGS

Section 1. Interest or Dividends Prohibited.

The Cooperative shall at all times be operated on a cooperative nonprofit basis for the mutual benefit of its Members. No interest or dividends shall be paid or payable on any capital stock issued by this Cooperative or on any capital furnished by its Members.

Section 2. Capital Furnished by Members.

- (a) In the furnishing of electric energy, the Cooperative's operations shall be so conducted that all Members will, through their patronage, furnish capital for the Cooperative. In order to induce patronage and to ensure that the Cooperative will operate on a nonprofit basis, the Cooperative 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 Cooperative are receivable with the understanding that they are furnished by the Members as capital.
- (b) 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.
- (c) 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.

- (d) The Cooperative shall, within a reasonable time after the close of the fiscal year, notify each Member of the amount of capital credited to their account.
- (e) 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 and the Member had then furnished the Cooperative corresponding amounts for capital.
- (f) All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be:
 - (1) used to offset any losses incurred during the current or any prior fiscal year;
 - (2) adjustments to reserves for the purpose of stabilizing margins and rate increases from year to year;
 - (3) to the extent not needed for that purpose, allocated to its Members on a patronage basis; and
 - (4) any amount so allocated shall be included as a part of the capital credited to the accounts of Members, as herein provided.

Section 3. Repayment of Capital.

- (a) In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, and the par value of the stockholders' shares returned, outstanding capital credits, irrespective of the form in which they were allocated, shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of Members. 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.
- (b) If, at any time prior to dissolution or liquidation, but not less than annually, the board of directors determines 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.

- (c) The board of directors shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital.
- (d) 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 their capital credits in the form of credits upon their 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.

Section 4. Assignment or Transfer.

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

Section 5. Early Repayment.

The board of directors, in its sole discretion, shall have the power at any time upon the death of any Member who was a natural person, if the legal representatives of their estate requests in writing that the capital credited held by the deceased be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such Member immediately upon such terms and conditions as the board of directors, acting under the policies of general application, and 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.

The board of directors, in its sole discretion, shall have the power at any time upon the lawful dissolution, liquidation or other cessation of existence of an entity Member, if the entity's legal representative requests in writing that the capital credited held by the entity be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retire capital credited to any such Member immediately upon such terms and conditions as the board of directors, acting under the policies of general application, and the legal representatives of such entity Member shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby. The Cooperative may not specially retire the capital credited held by the entity Member or former entity Member during or after the entity's reorganization, transfer, merger or consolidation.

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 their membership by tendering to them the par value or book value of their stock, whichever is lesser. The Cooperative shall also have the authority to offset debts owed by a Member or

patron to the Cooperative against their outstanding patron credits or stock.

The Members and 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 Member and patron, and both the Cooperative and the Members and patrons are bound by such contract, as fully as though each Member and patron had individually signed a separate instrument containing such terms and provisions.

Section 6. Net Income to Pay Subscriptions to Official Newspaper.

Twenty-Five Cents (\$0.25) of the amount of net income available to each Member each year is to be used for a year's subscription to The P.K.M. 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 Member.

Section 7. 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 pursuant to Section 2 of this article then credited against the unpaid obligations for electric service of the Member in the same manner as if the Member were deceased.

**ARTICLE IX
WAIVER OF NOTICE**

Any Member or director may waive any notice of meetings required to be given by law, the Articles of Incorporation or these Bylaws.

**ARTICLE X
DISPOSITION OF PROPERTY**

The Cooperative may at any meeting of its board of directors sell, mortgage, lease or exchange any or 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 encumbrancing 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.
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