

By-Laws
of
Prairie Energy Cooperative

Adopted July 25, 2020

PRAIRIE ENERGY COOPERATIVE

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**BYLAWS
OF
PRAIRIE ENERGY COOPERATIVE**

Adopted July 1, 2000

ARTICLE I

MEMBERS

Section 1. Requirements for Membership. The limitations, conditions, restrictions, and rights pertaining to membership, and the privileges, duties and obligations of members are set forth in the Articles of Incorporation of the Cooperative.

Section 2. Member Obligations. In addition to the requirements set forth in the Articles of Incorporation, the following shall apply to all members:

- (a) Each member shall make available to the Cooperative, without charge, a suitable site, as determined by the Cooperative, on which to place the Cooperative's physical facilities for the furnishing and metering of electric service and shall permit the Cooperative's authorized employees, agents and independent contractors to have access thereto at all reasonable times, for inspection, maintenance, replacement, relocation or repair thereof. As part of the consideration for such service, each member shall be the Cooperative's bailee of such facilities and shall accordingly desist from interfering with, impairing the operation of or causing damage to such facilities, and shall use his or her best efforts to prevent others from doing so. In the event such facilities are interfered with, impaired in their operation or damaged by the member, or by any other person when the member's reasonable care and surveillance could have prevented such, the member shall indemnify the Cooperative and any other person against death, injury, loss or damage resulting therefrom, including but not limited to the Cooperative's cost of repairing, replacing or relocating any such facilities and its loss, if any, of revenues resulting from the failure or defective functioning of its metering equipment. In no event shall the responsibility of the Cooperative extend beyond the point at which its service wires are attached to the meter loop provided for measuring electricity used on the premises, or beyond the combination circuit breaker-meter base panel if such is owned and maintained by the Cooperative, except the Cooperative shall, in accordance with its applicable service rules and regulations, indemnify the member for any overcharges for service that may result from a malfunctioning of its metering equipment.
- (b) There is agreement to provide the Cooperative such easements as shall be reasonably required by the Cooperative for the purpose of providing

electrical service to the member, extending service to other members and for the location of needed facilities for the Cooperative. Such easements shall be provided by the member on lands owned or leased by the member. The easement shall provide for access for construction, repair and maintenance of such facilities as may be placed on, or under the land included in the easement.

Section 3. Joint Membership. A husband and wife may apply for a joint membership and, subject to their compliance with the provisions set forth in the Articles of Incorporation, may be accepted for such membership. The term "Member" as used in these Bylaws shall be deemed to include a husband and wife holding a joint membership and any provisions relating to the rights and liabilities of membership shall apply equally with respect to the holders of a joint membership. Without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect of the holders of a joint membership shall be as follows:

- (a) The presence at a meeting of either or both shall constitute a joint waiver of notice of the meeting;
- (b) The vote of either separately or both jointly shall constitute one joint vote;
- (c) A waiver of notice signed by either or both shall constitute a joint waiver;
- (d) Notice to either shall constitute notice to both;
- (e) Expulsion of either shall terminate the joint membership;
- (f) Withdrawal of either shall terminate the joint membership;
- (g) Either but not both may be elected or appointed as an office or board member, provided that both meet the qualifications for such office.

Section 4. Membership by Other Than Persons. If an association, corporation, or partnership, complies with the Articles of Incorporation, such entity may have a membership in the Cooperative. The holders of such membership shall be bound by the following rules:

- (a) The membership shall only be entitled to one vote.
- (b) Waiver of notice signed by an officer or partner on behalf of the member shall constitute a waiver of notice of the membership.
- (c) Notice to a partner or an officer of the entity on behalf of the member shall constitute notice to the member.
- (d) A partner or designated officer, but no more than one, of a corporation or

partnership may be elected to office on behalf of said member partnership or corporation, provided that such person otherwise meets the qualification for such office.

Section 5. Transfer and Termination of Membership

- (a) Membership in the Cooperative and a Certificate of Membership representing the same shall not be transfer-able, except as hereinafter otherwise provided, and 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. Any termination of membership for any reason shall not release the member from the debts or liabilities of such member to the Cooperative.

Section 6. Conversion of Membership. 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 these Bylaws and the Articles of Incorporation of the Cooperative. Such transfer shall be made and recorded on the books of the Cooperative and such joint membership noted on the original Membership Certificate representing the membership so transferred.

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 Membership 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, debt or liabilities to the Cooperative.

ARTICLE II

MEETINGS OF MEMBERS

Section 1. Annual Meeting. The first regular Annual Meeting of the Members of the Cooperative shall be held in 2001 on a date to be determined by resolution of the Board of Directors. Thereafter, the Annual Meetings of Members of the Cooperative shall be held at such times and places as shall be determined by the Board of Directors. All Annual Meetings shall be held at such locations within the Cooperative's geographical service area as may be determined from time to time by the Board of Directors and specified in the Notice of the meeting.

Section 2. Special Meetings. Special Meetings of the membership may be called by the Board of Directors, and the Board shall do so upon written demand of at least twenty percent (20%) of the members. Any demand for a special meeting by membership shall

be in writing, signed by the members making the demand, and be addressed and delivered to the Secretary of the Cooperative. All Special Meetings shall be held at such locations as may be determined from time to time by the Board of Directors and specified in the Notice of the meeting.

Section 3. Notice. Each member shall be entitled to receive ten (10) days' written notice of the time and place of all meetings and of the purpose of all special meetings. Such notice shall be given to the member in person or by mail directed to the member's address as shown on the books of the Cooperative. If mailed, such notice shall be deemed delivered when deposited in the United States Mail, addressed to the member at the member's address as it appears on the records of the Cooperative, with postage thereon prepaid. Any member may waive, in writing, notice of any Meeting of the Members. Meetings of the Members of the Cooperative may be held at any location permitted by the laws of the State of Iowa.

Section 4. Failure to Receive Notice. The failure of any member to receive notice of an Annual Meeting or Special Meeting of the members shall not invalidate any action which may be taken by the members at any such Annual Meeting or Special Meeting.

Section 5. Quorum. Ten percent (10%) or more of the members present in person or represented by mail ballots shall constitute a quorum necessary for the transaction of business at any Annual Meeting or Special Meeting of the membership; provided, however, that so long as the total number of members of the Cooperative shall exceed five hundred (500) then fifty (50) or more members present in person shall be sufficient to constitute a quorum for the transaction of business at all meetings of the members. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice.

Section 6. Voting. As stated in the Articles of Incorporation, no member shall own more than one membership and each member shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of the membership. Voting by proxy and cumulative voting shall not be permitted. If two or more persons hold one membership certificate in partnership, joint tenancy, or otherwise, the vote of such membership shall be cast only by its representative, who is duly authorized in writing, and which authorization has been filed with the Cooperative prior to the time for notice of any meeting of the members may be given as provided in Section 3 above. The Cooperative will recognize, as due authorization of who is a voting representative, a document setting forth such designation signed by all members of a joint membership, or member partnership, or an appropriately executed and attested resolution from the Board of Directors or other governing body of a member corporation, association or organization. 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 present in person or represented by mail vote except as otherwise provided by law, the Articles of Incorporation of the Cooperative or these Bylaws.

Section 7. Voting by Mail.

- (a) Eligibility. Any member may vote by mail for the election of directors and upon any motion or resolution to be acted upon at any such meeting with respect to an amendment to the Articles of Incorporation of the Cooperative or these Bylaws, or any action submitted pursuant to a resolution adopted by the Board of Directors or by petition signed by not less than ten (10) percent of the members.
- (b) Procedure. The Secretary shall enclose with the notice of the meeting an exact copy of such motion or resolution to be acted upon, and such absent member shall express his vote thereon by writing "yes" or "no" on the copy of each such motion or resolution, or making a checkmark or "x" in the appropriate space provided therefor. The completed ballot shall then be enclosed in a sealed envelope, bearing the member's name, addressed to the Secretary. When such written vote is received by mail from any member, it shall be accepted and counted as a vote of such member at such meeting.
- (c) Non-receipt of Notice - Effect. The failure of any such absent member to receive a copy of any such motion, resolution or ballot shall not invalidate any action which may be taken by the members at any such meeting.

Section 8. Order of Business. The order of business at the Regular Annual Meeting of the members of the Cooperative and, so far as possible at all other meetings of the members of the Cooperative, shall be as follows:

- (1) Roll call.
- (2) Reading of the Notice of the meeting together with the proof of due giving thereof or the waiver or waivers of notice of such meeting.
- (3) Presentation and reading of unapproved minutes of previous meetings of the 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) Adjournment.

The Board of Directors or the members themselves may, from time to time, establish a different order of business for the purpose of assuring the earlier consideration of, and action upon, any item of business the transaction of which is necessary or desirable in advance of any other item of business; provided, that no business other than adjournment of the meeting to another time may be transacted until and unless the existence of a quorum is first established.

Section 9. Rules of Order. Parliamentary procedure at all meetings of the members, of the Board of Directors, of any committee provided for in these Bylaws, and of any other committee of the members or Board of Directors which may from time to time be duly established shall be governed by the most recent edition of Robert's Rules of Order, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws.

ARTICLE III

DIRECTORS

Section 1. Number and Qualifications. The business and affairs of the Cooperative shall be managed by a Board of Directors initially consisting of fourteen (14) individuals, who shall also serve as the incorporators of Prairie Energy Cooperative, and who presently constitute the members of the Boards of Directors of the cooperatives which consolidated to form Prairie Energy Cooperative.

Subject to the right of members to remove a director, the initial directors shall serve, and any vacancies on the Board of Directors may be filled as set out in the Plan of Consolidation for Prairie Energy Cooperative, until the Annual Meeting of Members to be held in 2003. Vacancies on the Board of Directors created by directors who resign, retire, or become ineligible prior to the Annual Meeting of Members to be held in 2003 shall not be filled, unless the vacancy would cause the Board to be reduced in size to fewer than seven (7) directors. In said event, the vacancy shall be filled by the majority vote of the Board of Directors, with the new director being selected from among members residing in the district from which the vacancy was created.

Beginning with the Annual Meeting of Members to be held in 2003, seven (7) directors shall be elected in accord with Section 3 of this Article. Any member of the Cooperative shall be eligible to become a director if said member has a legal capacity to enter into a binding contract and said member's election as a director would not violate any other provision of these Bylaws or the Articles of Incorporation of the Cooperative. No Member shall be eligible to become or remain a Director or to hold any position of trust in the Cooperative who:

- 1) is not a member of the Cooperative, receiving service at a location in the district from which the director is elected;
- (2) within five (5) years preceding a director candidate's nomination was or during service on the Board of Directors is finally adjudged to be guilty of a felony;

- (3) within five (5) years preceding a director candidate's nomination was an employee of the Cooperative or the spouse of an employee of the Cooperative;
- (4) is or becomes, or at any time during the five (5) years preceding a director candidate's nomination shall have been, employed by a labor union which represents, or has represented, or has endeavored to represent any employees of the Cooperative;
- (4) is a grandparent, parent, co-habitant, child, or grandchild of an employee of the Cooperative;
- (5) is a person that is a grandparent, parent, co-habitant, child, or grandchild of an incumbent director whose district seat is not up for re-election at that time;
- (6) is in any way employed by or substantially financially interested in an enterprise competing with the Cooperative or any Cooperative-affiliated business;
- (7) is or becomes the full-time employee or agent of, or who is or becomes the full-time employer or principal of, another director;
- (8) is engaged in conduct that is a violation of law or violation of a Cooperative policy or policies, or whenever a director has materially failed to satisfy his/her duties as a director, including the duty to regularly attend meetings of the Board of Directors; or
- (9) is employed by, materially affiliated with, or has a financial interest in, any individual or entity possessing a conflict of interest with the Cooperative or a Cooperative subsidiary.

For purposes of this Section 1, financially interested shall not include beneficial ownership of less than 5% of the bonds or the combined voting power of all issued and outstanding voting securities of a publicly held corporation whose stock is traded on a major stock exchange or quoted on NASDAQ.

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."

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. Districts. The service area of the Cooperative shall be divided into seven (7) numbered geographic districts and, commencing with the annual meeting of the members to be held in 2003, election of directors will be by such districts, with one director representing each district. The geographic area of each district shall be established and revised as necessary by the Board of Directors in such a manner so that each district will encompass an approximately equal number of members. The district boundaries shall be described and shown on a map of the Cooperative service area, and said description and map shall be maintained as official records of the Cooperative. Each Member will be assigned to only one district even though the Member may receive service in more than one district.

Candidates for election to the Board of Directors shall be nominated by a Nominating Committee, which Committee shall be elected by the Board of Directors. Said Nominating Committee members so elected shall nominate candidates for election to the Board of Directors at the Annual Meeting of Members following the meeting at which said Nominating Committee members are elected.

Any twenty (20) or more members may make other nominations in writing over their signatures not less than sixty (60) days prior to the meeting at which directors are to be elected, and the Secretary shall post the same at the same place where the list of nominations by the Committee is posted; such nominations so made by such members to be subject to the same service location requirements as nominations by the Nominating Committee heretofore prescribed.

Members voting at the annual meeting of members shall vote only for candidates from the district in which the member has been assigned. The election of the directors shall be by ballot, and each voting member shall be entitled to cast one vote for each director to be elected from that member's district. Members may vote by mail-in ballot, to the extent that the same is consistent with the Bylaws of the Cooperative and if the Board of Directors has authorized such voting prior to the meeting at which the election is to occur. Directors elected shall qualify and take office immediately following the Annual Meeting of Members.

Section 3. Election of Directors. At the Annual Meeting of Members to be held in 2003, an election will be conducted for the purpose of electing seven (7) directors, one from each of the seven (7) districts. The directors must receive service from the Cooperative at a location within the District which they represent. At said meeting by draw, three (3) director districts will be chosen in which the directors will be elected to serve three (3) year terms; two (2) director districts will be chosen in which the directors will be elected

to serve two (2) year terms; and two (2) director districts will be chosen in which directors will be elected to serve one (1) year term. From and after the Annual Meeting of Members to be held in 2003, the Cooperative shall be managed by a Board consisting of seven (7) directors, one (1) from each District. Beginning with the Annual Meeting of Members to be held in 2004, a number of directors equal to the number of directors whose terms expire shall be elected to a term of three (3) years, or until their successors are elected and qualified.

Subject to the provisions of Section 5 of this Article, vacancies on the Board of Directors which occur after the Annual Meeting of Members to be held in 2003 may be filled by a majority vote of the remaining directors. The director so elected shall serve the remainder of the term of the director creating the vacancy.

Section 4. Compensation.

- (a) No Salary Allowed. Directors, as such, shall not receive any salary for their services.
- (b) Per Diem Authorized. The Board of directors may, by resolution, authorize a fixed sum to be paid for each day, or portion thereof, a director spends on Cooperative business such as attendance at meetings, conferences, and training programs when authorized by the Board.
- (c) Expense Reimbursement. When authorized by the Board, directors may be reimbursed for expenses actually and necessarily incurred in carrying out such Cooperative business or granted a reasonable per diem allowance in lieu of detailed accounting for some of the expenses.
- (d) Other Compensation. No Board members or any close relative to a Board member shall receive compensation for serving the Cooperative in any other capacity, unless the payment and amount of compensation shall be specifically authorized by vote of the members, or unless such compensation shall have been certified by the Board as an emergency measure.

Section 5. Removal of Directors. Any member may bring charges against a director by filing them in writing with the Secretary of the Cooperative, together with a petition signed by ten percent (10%) of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular meeting or special meeting of the members and, by a vote of a majority of all voting members of the Cooperative, the director may be removed and the vacancy may be filled by the members. The director against whom such charges have been brought shall be informed in writing of the charges prior to the meeting and shall have an opportunity at the meeting to be heard, in person or by counsel, and to present witnesses; and the person or persons bringing the charges against him shall have the same opportunity.

Section 6. Rules and Regulations. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with the Articles of Incorporation of the Cooperative or these Bylaws or the laws of the State of Iowa, as it may deem advisable for the management, administration and regulation of the business 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 of the State of Iowa and the rules and regulations of any regulatory body thereof, shall conform to such accounting system as may, from time to time, be designated by the Administrator of the Rural Utilities Service. The Board of Directors shall, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the following Annual Meeting.

ARTICLE IV

MEETINGS OF DIRECTORS

Section 1. Annual Meeting. An Annual Meeting of the Board of Directors shall be held immediately following the Annual Meeting of the Members for the purpose of the election of officers of the Cooperative for the ensuing year, and to transact such other business as may properly come before the meeting.

Section 2. Regular Monthly Meetings. A Regular Meeting of the Board of Directors shall be held on a monthly basis. Such regular meeting may be held without notice other than such resolution fixing the time and place thereof.

Section 3. Special Meetings. A Special Meeting of the Board of Directors shall be held whenever called by the President or any three (3) directors. Forty-eight (48) hours prior notice of any Special Meeting must be given to each director personally, or by mail. The purpose of a Special Meeting need not be specified in the Notice of the meeting.

Section 4. Notice of Meetings. Notice of any meetings may be waived by attendance at the meeting, except when a director attends a meeting and objects to the transaction of business. Notice of the meeting may also be waived by signing a Waiver of Notice either before, during, or after the meeting.

Section 5. Quorum and Voting. A majority of the directors in office shall constitute a quorum necessary for the transaction of business at any Annual Meeting, Regular Meeting, or Special Meeting of the Board of Directors. If less than a quorum is present, the directors present may adjourn the meeting from time to time until a quorum is present. All matters considered by the Board of Directors shall be decided by a vote of a majority of the directors present at the meeting, unless otherwise provided by statute, the Articles of Incorporation, or these Bylaws.

Section 6. Telephonic Meetings. When agreed to by not less than three-fourths (3/4) of the members of the Board, and after a bona fide effort has been made to contact all of the members, a special meeting of the Board may be held by conference telephone call. In such event, the regular requirements as to notice and place of special meetings shall not apply. Such meeting shall consider only the questions which the President or other Board members calling the meeting have indicated to the members of the Board require action without the formality of calling a special meeting as provided in this section. Actions taken during such meeting shall be taken in the same manner and shall have the same force and effect as those taken during regularly held meetings of the Board.

ARTICLE V

OFFICERS

Section 1. Officers. The officers of the Cooperative shall be a President, a Vice President, a Secretary, and a Treasurer. The Board of Directors may also elect an Assistant Secretary-Treasurer and/or an Executive Vice President. The offices of the Secretary and Treasurer may be held by one person, in which case the officer so serving shall be called the Secretary-Treasurer.

Section 2. Election. The Board of Directors shall elect officers of the Cooperative at the Annual Meeting of the Board of Directors each year. The President, Vice President, Secretary, Treasurer, and Assistant Secretary-Treasurer and Executive Vice President, if elected, shall hold office until the next Annual Meeting of the Board of Directors and until their successors are elected and qualified, unless removed as hereinafter provided. The Board of Directors shall also have full authority to appoint, by a majority vote, such additional officers as the Board deems appropriate and in the best interests of the Cooperative.

Section 3. Removal. At any meeting called for that purpose, any officer of the Cooperative may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative shall be served thereby. Any vacancy in any office may be filled by a majority vote of the Board of Directors for the unexpired portion of the term.

Section 4. President. The President shall be the principal Executive Officer of the Cooperative and shall preside at all meetings of the membership and all meetings of the Board of Directors. The President may sign, with the Secretary or an Assistant Secretary, or any other proper officer of the Cooperative authorized by the Board of Directors to do so, certificates of membership in the Cooperative, as well as any real estate deeds, mortgages, bonds, contracts, or other instruments authorized by the Board of Directors to be executed. In general, the President 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 5. Vice President. In the absence of the President, or in the event of the

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

Section 6. Secretary. The Secretary shall keep the minutes of all Meetings of the Members and of the Board of Directors, and shall compile those minutes in a corporate minute book. The Secretary shall also be responsible for the mailing of all notices in a timely manner as provided by law, the Articles of Incorporation, or these Bylaws. The Secretary shall be the custodian of all corporate records and the seal of the Cooperative. Additionally, the Secretary shall keep a membership list showing the proper names and addresses of each member of the Cooperative. The Secretary shall also sign, along with the President, all membership certificates. In general, the Secretary shall perform all duties incident to the office of Secretary and such other duties as, from time to time, may be assigned to the Secretary by the Board of Directors. In the absence of the Secretary, or in the event of the Secretary's inability or refusal to act, the Assistant Secretary shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all of the restrictions upon the Secretary.

Section 7. Treasurer. The Treasurer of the Cooperative shall perform such duties with respect to the finances of the Cooperative as may be prescribed, from time to time, by the Board of Directors. In general, the Treasurer shall supervise all financial affairs of the Cooperative and shall perform all duties incident to the office of Treasurer, as well as such other duties as, from time to time, may be assigned to the Treasurer by the Board of Directors. In the absence of the Treasurer, or in the event of the Treasurer's inability or refusal to act, the Assistant Treasurer shall perform the duties of Treasurer, and when so acting, shall have all of the powers of and be subject to all of the restrictions upon the Treasurer.

Section 8. Assistant Secretary-Treasurer. In the absence of the Secretary or the Treasurer, or in the event of the Secretary's or the Treasurer's inability or refusal to act, the Assistant Secretary-Treasurer shall perform the duties of the Secretary or the Treasurer, respectively, and when so acting, shall have all the powers of and be subject to all of the restrictions on those offices.

Section 9. Executive Vice President. The Executive Vice-President, if elected, shall be the General Manager and shall perform such duties of operations and management on behalf of the Cooperative as may from time to time be assigned by the Board of Directors.

Section 10. General Manager. The Board of Directors may also appoint a General Manager who may be but shall not be required to be a member.

- (a) Duties. The General Manager shall perform such duties as the Board of Directors may, from time to time, require of him or her.
- (b) Authority. The General Manager shall have such authority as the Board of

Directors may vest in him or her.

- (c) Hiring Employees and Other Agents. The General Manager may hire such employees and employ such agents as may be required for the reasonable conduct of the business of the Cooperative.
- (1) Exception as to Close Relative. Close relatives of any other employee, agent, or director of the Cooperative shall not be hired or employed without the specific Approval of the Board of Directors.
- (2) Powers and Duties. The powers and duties of all agents or employees shall be fixed by the General Manager.
- (3) Removal. Any employee or agent of the Cooperative may be removed by the General Manager whenever the best interests of the Cooperative would be served thereby.

Section 11. Bonds of Officers. The Board of Directors shall require the Treasurer or any other officer charged with responsibility for the custody of any of its funds or property, to give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give such bonds in such amounts, with such surety or sureties, and containing such terms and conditions as it shall determine.

Section 12. Compensation. The salary, compensation, and other benefits of the General Manager, and of any other officer, shall be fixed by the Board of Directors.

Section 13. Reports. The officers shall submit at each Annual Meeting of the Members reports covering the business of the Cooperative for the previous fiscal year and showing its condition at the close of such fiscal year.

ARTICLE VI

INDEMNIFICATION

The Cooperative shall indemnify any present or former director, officer, employee, member, or volunteer against expenses, including reasonable attorney fees, judgments, fines, and amounts actually paid in settlement and reasonably incurred to the fullest extent permitted under Iowa law. The Cooperative shall also indemnify any director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party because the director is or was a director of the Cooperative, against reasonable expenses incurred by the director in connection with such proceeding. The Cooperative shall not indemnify any present or former director, officer, employee, member, or volunteer (a) in connection with a proceeding brought by the Cooperative or on behalf of the Cooperative in which such persons were adjudged

liable to the Cooperative, or (b) in connection with any other proceeding charging improper personal benefit.

ARTICLE VII

CONTRACTS, CHECKS, AND DEPOSITS

Section 1. Contracts. Excepts as otherwise provided in these By-Laws, 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 VIII

MEMBERSHIP CERTIFICATES

Membership in the Cooperative shall be evidenced by a certificate of membership which shall be in the form and shall contain such provisions as determined by the Board of Directors, provided such terms are not inconsistent with the Articles of Incorporation and these Bylaws. The certificate shall be signed by the President and by the Secretary, and shall be sealed with the corporate seal. No membership certificate shall be issued until applicator for such membership has been submitted and accepted by the Board of Directors of the Cooperative, except members of the cooperatives which have consolidated to form the present Cooperative shall receive a membership certificate upon their request without charge. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued upon such terms, and with appropriate indemnity provisions, as the Board of Directors may prescribe. Each membership certificate, among other things, shall state in substance that membership in the Cooperative shall not be transferrable and all certificates shall be surrendered to the Cooperative upon a member becoming ineligible to membership or upon the death, expulsion or withdrawal of the member holding such certificate.

ARTICLE IX

FISCAL YEAR

The fiscal year of the Cooperative shall begin on January 1 of each year and shall end on December 31 of each year.

ARTICLE X

REVENUES AND RECEIPTS

Section 1. Disposition of Revenues and Receipts. No dividends shall be paid upon memberships in the Cooperative. Subject to the obligations of the Cooperative with respect to moneys borrowed and to the provisions of any mortgage or other security given to secure such obligations, the directors shall annually dispose of the earnings of the Cooperative in excess of its operating expenses as follows:

- (a) to provide a reasonable reserve for depreciation, obsolescence, bad debts, or contingent losses or expenses;
- (b) at least ten percent (10%) of the remaining earnings must be added to surplus until surplus equals either (1) thirty percent (30%) of the total of all capital paid in for memberships plus all unpaid patronage dividends, plus Certificates of Indebtedness payable upon liquidation, or (2) one thousand dollars (\$1,000.00), whichever is greater; no additions shall be made to surplus whenever it exceeds either fifty percent (50%) of such total, or one thousand dollars (\$1,000.00), whichever is greater;
- (c) not less than one percent (1%) nor more than five percent (5%) of such earnings in excess of reserves may be placed in an educational fund, to be used as the directors deem suitable for teaching or promoting cooperation and the effective use of electricity;
- (d) all remaining net earnings shall be allocated to a revolving fund and shall be credited to the account of each member ratably in proportion to the business the member has done with the Cooperative during such year; such credits are herein referred to as "deferred patronage dividends;" and,
- (e) The directors shall determine the percentage or the amount of said allocation that currently shall be paid in cash. All said remaining allocation not so paid in cash shall be transferred to a revolving fund and credited to said members.

Section 2. Revolving Fund. The directors may use the revolving fund to pay the obligations or add to the capital of the Cooperative. In such event, the deferred patronage dividend credited to members shall constitute a charge upon the revolving fund and

future additions thereto, and on the corporate assets subordinate to creditors then or thereafter existing. Deferred patronage dividends for any year shall have priority over those for any subsequent year, except that the Board of Directors may, at their discretion, pay deferred patronage dividends of deceased members who were natural persons and all other patronage dividends, without reference to the order of priority herein prescribed, and except as in Article X of the Articles of Incorporation provided. The payment of dividends owing to deceased natural persons who were members or patrons shall be made upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such deceased member's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby.

Section 3. Deferred Patronage Certificates. The Cooperative may issue certificates for deferred patronage dividends, which certificates may be transferable or non-transferable as the Board of Directors may from time to time determine.

Section 4. Maturity of Deferred Patronage Dividend Certificates. Credits or certificates referred to in Sections 2 and 3 of this Article X shall not mature until the dissolution or liquidation of the Cooperative but shall be callable by the Cooperative at any time in the order of priority specified in Section 3 of Article VIII of the Articles of Incorporation of the Cooperative.

ARTICLE XI

MEMBERSHIP IN OTHER ORGANIZATIONS

Section 1. Membership Authorized. The Board of Directors of the Cooperative may cause the Cooperative to become a member of any other organization, corporation, association or cooperative, organized on a nonprofit basis for the purpose of engaging in or furthering the cause of rural electrification.

The Board of Directors may authorize the Cooperative to acquire membership or purchase stock in other corporations or organizations by an affirmative vote at a meeting duly called, and with notice appropriately given that action is to be taken on such proposed membership or stock purchase.

Section 2. Representation to Other Organizations. When the Cooperative, by its membership or purchase of stock in other corporations or organizations as authorized by this Article, is eligible to be represented by voting delegates at regular or special meetings of such other corporation or organization, or is eligible to nominate or appoint members of the Board of Directors or other governing body of such other organizations by whatever name the body may be called, the designation of such delegates, or nomination or election of such directors shall be made by the Board of Directors of this Cooperative at its regular meeting immediately following the Annual Meeting of the Members, or at such other time as may meet the direction of the Bylaws of such organizations.

- (a) Qualifications. In making such designations, nominations, or elections, the Board may select one or more of its own members, or any other member of the Cooperative who may be qualified for such position under the Articles of Incorporation and/or Bylaws of the other organizations.
- (b) Recall or Removal. Any such delegate or director designated, nominated or elected under this Article to represent this Cooperative to other organizations may be recalled and removed from such position by the affirmative vote of two-thirds (2/3) of the members of this Board of Directors at any regular or legally constituted meeting of the Board, unless the Articles of Incorporation or Bylaws of such other organization shall provide for a different method of removal.
- (c) Instructions to Representatives. The Board may instruct said delegates or representatives as to the manner of voting on any proposition, or election of officers or directors, which may be known to the Board prior to any meeting at which such proposition shall be voted upon, or election held. Such instructions shall be binding upon such delegate or representative unless the proposition to be considered is substantially amended prior to consideration of its adoption, or candidates for election who have been selected by the instruction of the Board has withdrawn, been eliminated, or disqualified, prior to the election.

ARTICLE XII

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, Iowa."

ARTICLE XIII

AMENDMENT

The Board of Directors, by a vote of seventy-five percent (75%) of the directors, may adopt, alter, amend, or restate the Bylaws of the Cooperative. Such original or amended Bylaws shall remain in force and effect until subsequently altered, amended, or repealed by a vote of seventy-five percent (75%) of the membership at any Annual Meeting or Special Meeting of the membership, provided notice of such meeting contains a copy of the proposed alternation, amendment, or repeal. The Bylaws shall be kept by the Secretary of the Cooperative and shall be subject to inspection by any member at any time.

ARTICLE XIV

MISCELLANEOUS

"Close Relative" Defined. As used in these Bylaws, the term "close relative" means persons who are related, by consanguinity or affinity, within the third degree or less -- that is, persons who bear relationship to one another of spouse, child, grandchild, parent, grandparent, great-grandparent, brother, sister, aunt, uncle, nephew, or niece, by blood or marriage.

CERTIFICATE

The undersigned, being the duly elected, qualified, and acting Secretary of Prairie Energy Cooperative, hereby certifies that the foregoing are the Bylaws of said Cooperative, duly adopted by its Board of Directors in accord with the requirements of the Cooperative's Articles of Incorporation, on July 1, 2000.

DATED this 25 day of July, 2000.

Donald Christopherson
Secretary