

# 2020 PROPOSED AMENDMENTS TO THE STEARNS ELECTRIC ASSOCIATION ARTICLES OF INCORPORATION AND BYLAWS.

In 2020, the Stearns Electric Association Board of Directors is asking the Cooperative's members to approve proposed amendments to the Cooperative's Articles of Incorporation and Bylaws.

Dear Stearns Electric Member,

As a not-for-profit electric cooperative, Stearns Electric is governed by a series of documents, including Articles of Incorporation and Bylaws, that were first established when the Cooperative was founded in 1937. These important documents provide a framework for governing and conducting business. As time passes, the energy industry changes, technology advances, and member needs and expectations grow, it is important to periodically review and amend the Articles of Incorporation and the Bylaws to remain relevant and effective.

Over the last year, a committee including three Board members, Stearns Electric staff, an attorney and a third-party communication consultant, conducted a review of the Cooperative's Articles of Incorporation and Bylaws. After reviewing these documents line by line and comparing them to Cooperative business procedures, future needs, and industry advancements, they identified and suggested necessary alterations. These suggested changes were then reviewed and discussed with the full Stearns Electric Board of Directors.

While the proposed amendments have been approved by the current Board of Directors, they cannot be placed into effect without approval by a majority vote of the members that participate in the voting process. This membership vote will take place in conjunction with the Director elections and Annual Meeting on April 2, 2020.

Each member will receive this information as part of their ballot package in March. Members will have the option to vote online, by mail or in person at the Annual Meeting on April 2, 2020. Before your ballot package arrives in mid-March, we want to ensure that you feel educated to place your vote. While the bulk of changes proposed reflect an update in language and/or grammar to make the Articles of Incorporation and Bylaws easier to understand, the summaries to follow in this document reflect the most significant amendments.

We are confident these changes will result in more efficient operations at the Cooperative and better engage our members in the election process. We realize there is a great deal of information presented here, so please don't hesitate to reach out to us during business hours at (800) 962-0655 if you have questions or comments regarding the proposed amendments.

***The Stearns Electric Board of Directors, representing your interests at the Cooperative, is unanimously recommending the following amendments to the Articles of Incorporation and Bylaws.***



member driven.  
community focused.  
energy smart.

# ~~SECOND~~ **THIRD** RESTATED ARTICLES OF INCORPORATION OF STEARNS COOPERATIVE ELECTRIC ASSOCIATION

The undersigned, acting for ourselves as individuals, for the purpose of forming a cooperative association under and pursuant to the provisions of Minnesota Statutes ~~Sections Chapter 308A.001 to 308A.995~~, as amended, associate ourselves as a body corporate and adopt the following Articles of Incorporation:

## ARTICLE I.

**SECTION 1.** The name of this Association shall be Stearns Cooperative Electric Association.

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

(a) To generate, manufacture, purchase, acquire and accumulate electric energy for its members and to transmit, distribute, furnish, sell and dispose of such electric energy to its members; and to construct, erect, purchase, lease and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment and transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any of the foregoing purpose.

(b) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of this Association;

(c) To purchase, receive, lease, or in any other manner acquire, own, hold, maintain, sell, exchange and use any and all real and personal property or any interest therein necessary, useful or appropriate to enable this Association to accomplish any and all of its purposes;

(d) To borrow money and otherwise contract indebtedness for the purposes, or any of them for which this Association is formed, and to issues notes, bonds and other evidences of indebtedness, and to secure any of its obligations by mortgage, pledge or deed of trust of all or any of its property, assets, franchises and income.

(e) To sell and convey, mortgage, pledge, lease and otherwise dispose of all or any part of its property and assets;

(f) To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes, or as may be permitted by the Act under which this Association is formed; provided, however, that the conduct of the business of this Association shall be upon the cooperative plan.

The enumeration of the foregoing powers shall not be held to limit or restrict in any manner the general powers of this Association, and this Association shall be authorized to exercise and enjoy all the powers, rights and privileges

granted to or conferred upon associations of the character of this Association by the laws of the State of Minnesota now or hereafter in force.

**SECTION 3.** The registered office and principal place of transacting the business of this Association shall be at 900 ~~East~~ Kraft Drive ~~SE~~, Melrose, Minnesota 56352.

## ARTICLE II.

The period of duration of this Association shall be perpetual.

## ARTICLE III.

**SECTION 1.** ~~The amount of the authorized capital stock of this This Association shall be organized on a non-stock, membership basis. One Hundred Thousand Dollars (100,000.00) with no par value shares. The shares of the authorized capital stock may be issued from time to time, and shall be paid for at such time or times and in such manner, as the Board of Directors of this Association shall determine.~~

**SECTION 2.** ~~At the time of the commencement of business, more than twenty-percent (20%) of the authorized capital stock had been subscribed and paid in.~~

**SECTION 32.** ~~Individual stockholders (“Members”) Each Member shall have only one (1) vote in the affairs of this Association and the shares of stock of this Association membership shall not be transferable except with the approval and consent of the Board of Directors of this Association. Voting by proxy shall be prohibited.~~

**SECTION 4.** ~~No interest or dividends shall be paid upon any of the capital stock issued by this Association.~~

**SECTION 53.** The Association shall at all times be operated on a cooperative, non-profit basis for the mutual benefits of its Members. No interest or dividends shall be paid or payable by the Association on any capital furnished by its Members. The net income of the Association, in excess of amounts set aside as capital reserves and additional reserves, shall be distributed on the basis of patronage. The records of the Association may show the interest of Members in the reserves.

## ARTICLE IV

**SECTION 1.** The government of this Association and the management of its affairs and business shall be vested in a Board of Directors ~~consisting of nine (9) members~~ who shall be elected by ballot by the Members for such terms as the Bylaws may prescribe at the annual meeting of the Members. All members of the Board of Directors shall be Members of the Association.

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

**Capital Stock Language Removed.** *Stearns Electric no longer issues capital stock to members, therefore this language has been removed.*

**Duplicate Number of Directors Language Removed.** *The number of director positions is not required or necessary to include in the Articles of Incorporation because it is already specified in the Cooperative Bylaws, so this language has been removed.*

## ARTICLE V.

These Articles of Incorporation may be amended in whole or part as provided by law.

## ARTICLE VI.

**SECTION 1.** A director of the Association shall not be personally liable to the Association or its Members for monetary damages for breach of fiduciary duty as a director, except for liability:

(a) based on the breach of the director's duty of loyalty to the Association or its Members;

(b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

(c) for any transaction from which such director derived an improper personal benefit; or

(d) for an act or omission occurring before the date when this provision becomes effective.

**SECTION 2.** If Chapter 308A of the Minnesota Statutes is hereafter amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Association, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by Chapter 308A of the Minnesota Statutes, as amended. Any repeal or modification of this Article by the Members of the Association shall be prospective only and shall not adversely affect any limitation on the personal liability of a director of the Association existing at the time of such repeal or modification.

# STEARNS ELECTRIC ASSOCIATION BYLAWS

## RESTATED APRIL 2, 2020

### DEFINITIONS

**ANNUAL MEETING:** Gathering of MEMBERS of the Cooperative according to mailed legal notice.

**BOARD:** Directors elected by MEMBERS to serve collectively as management of govern the Cooperative.

**BYLAWS:** Rules and procedures adopted by the MEMBERS to govern relating to the management and regulation the operation of the Cooperative.

**COOPERATIVE:** Stearns Cooperative Electric Association, doing business as Stearns Electric Association.

**IMMEDIATE RELATIVE:** Parent, parents-in-law, spouse, child, brothers, and sisters.

**JOINT MEMBERS:** Two (2) or more natural persons.

**MEMBERS:** Any Persons and entities, including joint members, accepted (1) receiving electric service from the COOPERATIVE, and (2) having voting rights as reflected on the records of the by COOPERATIVE for membership.

**RUS:** Rural Utilities Services, an agency of the United States Government, formerly REA.

### ARTICLE I

#### MEMBERSHIP

##### SECTION 1. REQUIREMENTS FOR MEMBERSHIP.

A. Unless the BOARD determines otherwise, any person, firm, association, corporation, or body politic or subdivision becomes a MEMBER upon receiving electric service from the COOPERATIVE.

B. By receiving electric service from the COOPERATIVE, each MEMBER agrees to:

1. comply with and be bound by the Articles of Incorporation of the COOPERATIVE, these BYLAWS, and any amendments thereto, and such policies, rules, and regulations as may, from time to time, be adopted by the BOARD; and
2. pay all obligations owing to the COOPERATIVE, as and when they become due at prices, rates, and amounts as determined by the BOARD; and
3. within a reasonable time of receiving electric service, complete (in person, telephonically, or electronically) a written membership application.

C. Membership may be evidenced by COOPERATIVE records.

**Requirements for Membership.** Due to changes in technology and the sometimes lengthy and difficult process to secure written agreements, this change simplifies the process to initially become a member and receive electric service from the Cooperative. The new language also reinforces that any individual or entity receiving electric service from Stearns Electric is considered a member of the Cooperative and is therefore bound to the Cooperative's Articles of Incorporation and Bylaws.

**SECTION 1. REQUIREMENTS FOR MEMBERSHIP.**

Any person, firm, association, corporation, or body politic or subdivision may become a MEMBER upon:

- (a) Written application for MEMBERSHIP;
- (b) Purchasing electric energy from the COOPERATIVE;
- (c) Compliance with the MEMBERSHIP agreement, BYLAWS, rules and regulations adopted by the BOARD;
- (d) Paying the MEMBERSHIP fee, if any, and;
- (e) Being accepted for MEMBERSHIP by the BOARD.

A MEMBER may hold only one (1) MEMBERSHIP.

**SECTION 2. MEMBERSHIP CERTIFICATES.** Membership may be evidenced by COOPERATIVE records or a MEMBERSHIP certificate. The certificates shall be signed by the Secretary.

**SECTION 2. MEMBERSHIP LIMITATIONS.** No MEMBER may hold more than one membership in the COOPERATIVE and no membership in the COOPERATIVE shall be transferrable, except as provided in these BYLAWS.

**SECTION 3. JOINT MEMBERSHIP.** Shall be issued consistent with Section 1 and shall be subject to the following:

- (a) The presence at a meeting of any or all JOINT MEMBERS shall be regarded as the presence of one MEMBER and shall constitute a joint waiver of notice of the meeting.
- (b) The vote of any JOINT MEMBER separately or all jointly shall constitute one vote.
- (c) A waiver of notice signed by any JOINT MEMBER or all shall constitute a joint waiver.
- (d) Notice of termination to any JOINT MEMBER shall terminate the JOINT MEMBERSHIP.
- (e) Expulsion or withdrawal of any JOINT MEMBER shall terminate the JOINT MEMBERSHIP.
- (f) Any one JOINT MEMBER may be elected or appointed as an officer or Director, provided that the JOINT MEMBER meets the qualifications for the office.

**SECTION 4. CONVERSION OF MEMBERSHIP.** A MEMBERSHIP may be converted to a JOINT MEMBERSHIP upon request. Upon the withdrawal of any one JOINT MEMBER, the remaining MEMBERS may request that a new membership be issued to them. Upon the death of a JOINT MEMBER, an appropriate membership will be issued.

**SECTION 5. MEMBERSHIP FEES.** A membership fee may be charged for service connections, as determined by the BOARD.

**SECTION 65. PURCHASE OF ELECTRIC ENERGY ELECTRICITY.** Each MEMBER shall purchase from the COOPERATIVE all (or such lesser amount allowed by law) energy electricity used on the MEMBER's premises purchased, and shall pay rates set by the BOARD; provided, that the amount of electricity energy which the COOPERATIVE will furnish to MEMBERS may be limited. The COOPERATIVE shall purchase alternate energy as required by law. Funds received for electric energy in excess of the cost of service is capital resources

**Membership Limitations.**  
*This change provides reinforcement and clarity of existing Cooperative procedure.*

**Purchase of Electricity.**  
*Stearns Electric no longer charges a membership fee so this language has been removed. (Note: The Cooperative does have a separate and unrelated administrative fee to create a new account.)*

~~and shall be credited with allocated capital.~~ Each MEMBER shall pay to the COOPERATIVE a minimum amount for service, regardless of the amount of energy electricity consumed, as set by the BOARD. The COOPERATIVE shall use reasonable diligence to furnish MEMBERS with adequate and dependable electric service, although it cannot, and does not, guarantee continuous and uninterrupted electric service, or service free of voltage variation, or power quality disturbances.

**SECTION 86. MEMBER EQUIPMENT CONNECTED TO COOPERATIVE EQUIPMENT.** The COOPERATIVE shall purchase alternate energy as required by law. Except as otherwise provided by the Board, before and while Member Equipment (any equipment, structure, facility, or other good owned, controlled, operated, or furnished by member) is connected to Cooperative Equipment (any equipment, structure, facility, or other good owned, controlled, operated, or furnished by the Cooperative), the member shall:

A. comply with, and shall ensure that the Member Equipment, the connection, and any act or omission regarding the Member Equipment and the connection comply with these bylaws and all terms, conditions, requirements, agreements, and procedures required by the Cooperative regarding the Member Equipment and the connection;

B. ensure that the Member Equipment and the connection do not adversely impact the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative's distribution system;

C. grant the Cooperative the right to inspect the Member Equipment and the connection; and

D. grant the Cooperative the right to disconnect Member Equipment that does not comply with all terms, conditions, requirements, agreements, and procedures required by the Cooperative or that adversely impacts the Cooperative's ability to safely, reliably, and efficiently operate the Cooperative's distribution system.

If Member Equipment is connected to Cooperative Equipment, then: (1) the member is liable for damage to, and for the nonperformance of, Cooperative Equipment caused by the Member Equipment or the connection; and (2) the member is liable for, and must indemnify the Cooperative against, injury or death to any person and damage to any property caused by, or resulting from, the Member Equipment or the connection.

## **SECTION 7. TERMINATION OF MEMBERSHIP.**

(a) A MEMBER may withdraw from MEMBERSHIP.

(b) The BOARD, by vote of not less than two-thirds, may expel any MEMBER who fails to comply with the rules of the COOPERATIVE if not corrected within TEN days after written notice. An expelled MEMBER may be reinstated by the BOARD. The MEMBERS may reinstate a MEMBER at an annual or special meeting.

~~(b)c~~ Upon the withdrawal, death, cessation of existence or expulsion of a MEMBER, the MEMBERSHIP shall terminate.

(d) Termination of MEMBERSHIP in any manner shall not release a MEMBER or the MEMBER's estate from any debts due the COOPERATIVE.

~~(c) Upon termination, a refund of the MEMBERSHIP fee shall be paid to the MEMBER or the MEMBER'S estate after deduction of any debt due the COOPERATIVE.~~

**Member Equipment Connected to Cooperative Equipment.** *This section originated in Section 8 and has been separated/expanded to include language addressing distributed energy resources (i.e. interconnecting personal solar panels or wind generators to Stearns Electric's distribution system). This new language is standard and used by other cooperatives throughout the country.*

**Termination of Membership.** *Stearns Electric no longer charges a membership fee and therefore no longer refunds this charge at the termination of membership, so this language has been removed. Any member that was previously charged a membership fee was refunded this fee on or before February 2000. (Note: The Cooperative has a separate and unrelated administrative fee to create a new account. In addition, the Cooperative allocates and distributes Capital Credits which is unrelated to the membership fee.)*

**SECTION 8. EASEMENTS AND ACCESS.** Each MEMBER shall furnish the COOPERATIVE with easements on, ~~under, or~~ **and** over, the MEMBER'S property for: (a) the construction, operation, and maintenance of the COOPERATIVE'S utility lines and equipment, ~~and for~~ (b) furnishing electric service to the MEMBER, other MEMBERS, and other electric consumers, and (c) furnishing utility services to the MEMBER, other MEMBERS, and other utility consumers. These grants of easement rights shall be on such terms and conditions as the COOPERATIVE shall require, including the right of ingress and egress over the MEMBER'S property, and the right to keep the easement clear of all trees, shrubbery, undergrowth, roots and other obstructions.

**SECTION 9. BYLAWS A CONTRACT.** The MEMBERS acknowledge that the terms and provisions of the Articles of Incorporation and BYLAWS shall constitute a contract. The COOPERATIVE will provide MEMBERS with notice of the provisions of this Article on its website and through such other means as the BOARD establishes.

**SECTION 10. SECURITY INTEREST IN CAPITAL CREDITS.** As security for the full and prompt payment and performance when due of any and all obligations or indebtedness that may be owed by a MEMBER to the COOPERATIVE, each MEMBER grants the COOPERATIVE a continuing security interest in and recoupment claim against the capital allocated to the MEMBER.

## ARTICLE II

### RIGHTS AND LIABILITIES OF MEMBERS

**SECTION 1. PROPERTY INTEREST OF MEMBERS.** Upon dissolution of the COOPERATIVE, after:

- (a) All debts and liabilities of the COOPERATIVE are paid, **and**
- (b) All capital furnished through patronage has been retired,

~~The~~ **the** remaining property of the COOPERATIVE shall be distributed to the MEMBERS and former MEMBERS in the proportion which the aggregate patronage of each bears to the total patronage of all MEMBERS during the ten years next preceding the date of the filing of the certificate of dissolution.

**SECTION 2. NON-LIABILITY FOR DEBTS OF THE COOPERATIVE.** No MEMBER shall be liable for debts or liabilities of the COOPERATIVE.

## ARTICLE III

### MEETING OF MEMBERS

**SECTION 1. ANNUAL MEETING.** The **date and time of the** ANNUAL MEETING of the MEMBERS shall be ~~determined~~ **scheduled** by the BOARD. The place of the meeting shall be within a county served by the COOPERATIVE. The purpose of the meeting shall be to elect directors, review reports of the previous fiscal year, and transact other business as required. Failure to hold the ANNUAL MEETING at the designated time shall not work a forfeiture or dissolution of the COOPERATIVE.

**SECTION 2. SPECIAL MEETINGS.** Special meetings of the MEMBERS may be called by a majority vote of the BOARD, or by the written petition of twenty percent (20%) of all the MEMBERS. The Secretary shall provide notice to the MEMBERS.

**Bylaws A Contract.** *This section has been relocated from Article VII. There are no changes to the language proposed.*

**Security Interest in Capital Credits.** *This section has been relocated from Article VII. There are no changes to the language proposed.*

### SECTION 3. NOTICE OF MEMBERS' MEETINGS.

(a) The Secretary shall provide notice of all meetings by: (1) publication in a legal newspaper in the county of the principal place of business of the COOPERATIVE at least fifteen (15) days prior to the date of the meeting, ~~or~~ (2) ~~by~~ publication in a magazine, periodical, or house organ regularly published at least fifteen (15) days prior to the date of the meeting, ~~or~~ (3) ~~by~~ mailing notice to each MEMBER at least fifteen (15) days prior to the date of the meeting, or (4) electronically mailing notice to each MEMBER at least fifteen (15) days prior to the date of the meeting.

(b) ~~Notice Mailed~~ notice shall be deemed to have been delivered when deposited in the United States Mail with proper postage and addressed to MEMBER'S address as it appears on the records of the COOPERATIVE.

(c) Electronically mailed notice shall be deemed to have been delivered when sent to MEMBER'S electronic mail address as it appears on the records of the COOPERATIVE.

(d) Notices shall state the place, day, hour and purpose of the meeting.

(e) The failure of any MEMBER to receive notice of a meeting of the members shall not invalidate the meeting or invalidate actions taken by the MEMBERS.

**SECTION 4. QUORUM.** 50 MEMBERS shall constitute a quorum determined by members present or represented by mail vote or by electronic mail means. If less than a quorum is present at a meeting, a majority of those present shall adjourn the meeting.

**SECTION 5. ESTABLISHMENT OF A QUORUM.** The attendance of MEMBERS to constitute a quorum shall be established by registration, mail ballot, and electronic mail ballot.

**SECTION 6. ADVISORY ACTIONS.** Except for matters expressly reserved by law to the MEMBERS, any motion, resolution or amendment concerning the governance or management of the COOPERATIVE, first introduced by a MEMBER at any members' meeting and subsequently adopted by the MEMBERS, shall be considered advisory only, and will be referred to the BOARD for further consideration.

### SECTION 7. VOTING.

(a) Each MEMBER shall be entitled to one vote. The spouse of a MEMBER may vote on behalf of the member, unless the MEMBER has indicated otherwise.

(b) If a MEMBER of the COOPERATIVE is a family farm corporation or an authorized farm corporation as defined by Minnesota Statutes, the MEMBER may designate a voting representative to represent the member at all meetings of the members.

(c) If a MEMBER of the COOPERATIVE is not a natural person, family farm corporation, or an authorized farm corporation, the MEMBER may designate a voting representative to represent the member at all meetings of the members.

(d) All questions shall be decided by a vote of a majority of the MEMBERS voting, provided a two-thirds (2/3) majority is required for matters determined under Article VIII.

**Notice of Members' Meeting.** This change reflects grammatical and language updates, which include the incorporation of electronic communication.

**Quorum and Establishment of a Quorum.** These changes reflect grammatical and language updates which include the incorporation of electronic communication.

**Voting:** This change clarifies that members may designate a voting representative when applicable.

## **SECTION 8. VOTING BY MAIL OR ELECTRONICALLY.**

(a) A MEMBER may vote: (i) in person, or (ii) by mail, if authorized by the BOARD, or (iii) electronically, if authorized by the BOARD, upon any motion or resolution ~~if a mail vote is authorized by the BOARD.~~

(b) The ballot shall contain the exact text of the proposed motion or resolution; and shall also contain spaces opposite the text in which the MEMBER may indicate an affirmative or negative vote.

(c) ~~If voting by mail, The the~~ MEMBER shall vote by ~~making an "X" in marking~~ the appropriate space upon such ballot and enclosing the ballot in a sealed plain envelope inside another envelope bearing the MEMBER'S name, addressed to the Secretary.

(d) When a properly executed ballot is received by mail or electronically from any MEMBER, it shall be accepted and counted. ~~Failure to receive notice shall not invalidate action taken by the MEMBERS.~~

~~(b) A MEMBER shall also be entitled to vote by electronic means if an electronic vote is authorized by the BOARD and conducted in accordance with the laws of the State of Minnesota.~~

**SECTION 9. WAIVER OF NOTICE.** A MEMBER may waive in writing notice of a meeting. The attendance of a MEMBER at any meeting shall constitute a waiver of notice of the meeting, except in cases where the MEMBER: (a) objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called, and (b) after objecting does not participate in the meeting.

**SECTION 10. POSTPONEMENT OF MEMBERS' MEETING.** In the event of inclement weather, catastrophic event, natural disaster, acts of God, or other good cause a members' meeting may be postponed and rescheduled by the President. Notice of postponement and rescheduling shall be given in any general circulation or broadcast media serving the COOPERATIVE's service area.

## ARTICLE IV

### **BOARD MEMBERS**

**SECTION 1. GENERAL POWERS.** The ~~business of the~~ COOPERATIVE shall be ~~managed governed~~ by a Board of ~~nine (9)~~ Directors.

#### **SECTION 2. QUALIFICATIONS AND TENURE.**

(a) The COOPERATIVE shall be divided into ~~not less than seven (7) Director Districts, NINE (9) and not more than eleven (11) Director Districts, as designated by the BOARD from time to time. with MEMBERS in the townships or cities designated for each district:~~

(b) As necessary, the BOARD shall revise the Director Districts to ensure equitable representation on the Board from throughout the COOPERATIVE's service area.

(c) Within 60 days following a Director District revision, and at least 30 days before the next MEMBER'S ANNUAL MEETING, the COOPERATIVE shall notify, in writing or electronically, MEMBERS effected by the Director District revision. Director District revisions are effective as of the date the COOPERATIVE releases written or electronic notice to the effected MEMBERS.

**Voting by Mail or Electronically.** *This change reflects grammatical and language updates which include the incorporation of electronic communication, streamlining a previous amendment.*

**Qualifications and Tenure.**  
**(a)- (c)** *This proposed change provides the Board of Directors flexibility for the future to adjust the size of the Board and district boundaries as necessary to maintain equitable representation for members in each district.*

~~District No. 1: Scandia-Valley, Cushing, Clough, Parker, Darling, Green Prairie, Culdrum, Pike Creek, Swanville, Swan River, Elmdale and Two Rivers in Morrison County.~~

~~District No. 2: Holding, Brockway, St. Wendel and LeSauk in Stearns County.~~

~~District No. 3: Waite Park, St. Cloud, St. Augusta, Lynden, and Fairhaven in Stearns County.~~

~~District No. 4: Farming, Zion, Munson, Paynesville, Eden Lake, and Luxemburg in Stearns County.~~

~~District No. 5: Bangor, Glenwood and Grove Lake, in Pope County; Raymond, Getty, Grove, North Fork, Lake George, Spring Hill, St. Martin, Crow Lake, Crow River and Lake Henry in Stearns County; Roseville Township in Kandiyohi County.~~

~~District No. 6: Millwood, Krain, Oak, Albany, Avon and Collegeville in Stearns County.~~

~~District No. 7: Turtle Creek, Little Elk, Leslie, Reynolds, Long Prairie, Bruce, Gordon, Little Sauk, Round Prairie, Burnhamville, West Union, and Grey Eagle in Todd County; Orange Township in Douglas County.~~

~~District No. 8: Kandota and Birchdale Townships in Todd County; Westport Township in Pope County; Ashley, Sauk Centre and Melrose Townships in Stearns County.~~

~~District No. 9: St. Joseph, Wakefield, Rockville and Maine Prairie in Stearns County.~~

~~(bd) There Approximately 1/3 of the Directors shall be elected by ballot at each ANNUAL MEETING three (3) Directors for terms of three (3) years, to fill the vacancies of Directors of Districts whose terms expire, in the following sequence:~~

~~A— One director each from District No. 4, District No. 5, and District No. 9.~~

~~B— One director each from District No. 2, District No. 3, and District No. 6.~~

~~C— One director each from District No. 1, District No. 7, and District No 8.~~

~~In each Director District election, The the nominee receiving the highest number of votes shall be elected Director for the District, and in the case of a tie vote, the winner shall be determined by a flip of a coin.~~

~~(e) A director's term is three (3) years. The terms shall be staggered by dividing the total number of authorized Director Districts into groups of approximately equal numbers.~~

~~(ef) No MEMBER shall be eligible to become or remain a Director who:~~

~~(1) is not receiving service at the MEMBER'S primary residence in the service territory of the District to be represented;~~

~~(2) is an IMMEDIATE RELATIVE to an employee of the COOPERATIVE;~~

~~(3) is an IMMEDIATE RELATIVE of an incumbent Director;~~

~~(4) is employed by a competing an enterprise that: (i) directly or substantially competes with the COOPERATIVE, or (ii) sells goods or services in substantial quantities to the COOPERATIVE;~~

~~(5) within three (3) years preceding the MEMBER'S nomination was an employee of the COOPERATIVE;~~

~~(6) within five (5) years preceding the MEMBER'S nomination was convicted of a felony;~~

~~(7) during the MEMBER'S service on the BOARD, is convicted of a felony;~~

**Qualifications and Tenure. (d)**

*This change eliminates director term limits. While the term length of three years will remain intact, directors would be able to run for an unlimited number of terms. Rapid changes in the energy industry and increased demands of directors require Board members to have extensive knowledge and certifications. Eliminating term limits provides sufficient time to onboard new directors, complete in-depth training and education courses, and allows the Cooperative and its members to benefit from Board member training and experience.*

- (8) is or becomes the employee or agent of another Director;
- (9) is or becomes the employer or principal of another Director;
- (10) does not have the capacity to enter legally binding contracts; ~~or~~

(11) is absent from three or more regular meetings of the BOARD during any calendar year, unless excused for good cause; ~~or~~

(12) possesses a substantial conflict of interest with the COOPERATIVE.

~~(d) No Director may be elected for more than five (5) three (3) year terms.~~

~~(eg) If a MEMBERSHIP is held jointly, any one JOINT MEMBER may serve as a Director, provided the JOINT MEMBER meets the MEMBERSHIP qualifications.~~

~~(fh) If a MEMBER of the COOPERATIVE is a family farm corporation or an authorized farm corporation as defined by Minnesota Statutes, the MEMBER may elect or appoint an individual stockholder residing on or actively operating the farm to be eligible for election as a Director.~~

~~(i) If a MEMBER is not a natural person, family farm corporation, or an authorized farm corporation, the MEMBER may appoint or elect a natural person to be eligible for election as a Director to the BOARD, provided the person meets the other requirements for eligibility as provided in these BYLAWS.~~

~~(gj) No incumbent Director shall lose eligibility to remain a Director or to be re-elected a Director if the Director becomes an IMMEDIATE RELATIVE of another incumbent Director or of an employee of the COOPERATIVE because of a marriage or an adoption to which the Director is not a party.~~

### SECTION 3. NOMINATION OF DIRECTORS.

~~(a) The BOARD shall appoint a committee for the purpose of recommending a list of persons to serve on the nominating committee. The persons shall be selected on an equitable basis from each district up for election at the next annual meeting. The nominating committee shall be appointed not less than ninety (90) nor more than one hundred eighty (180) days before the date of the meeting of the MEMBERS. The nominating committee shall consist of not less than five (5) nor more than eleven (11) MEMBERS of the COOPERATIVE. No member of the BOARD shall be appointed to the committee. No member of the committee shall be nominated as a Director by the committee. The committee shall prepare and post at the principal office of the COOPERATIVE at least sixty (60) days before the meeting a list of nominations for Directors.~~

~~(b) Twenty-five (25) MEMBERS or more of the district of the nominee may make other nominations in writing with their signatures not less than forty-five (45) days prior to the meeting and the Secretary shall post the names at the place where the list of nominations made by the committee is posted.~~

~~(a) Any MEMBER meeting the qualifications of Section 2, above, who desires to be a candidate for the BOARD, may nominate themselves from the District in which they maintain their primary residence, by submitting an application for Director and complying with such other requirements as may be established by the BOARD.~~

~~(b) The MEMBER's application for Director shall be submitted to the Secretary not more than 130 days, but not less than 70 days before the date of the~~

***Nomination of Directors.*** This change simplifies the process for a member to run for a position on the Cooperative Board of Directors by eliminating a complicated committee process and replacing it with a more efficient and secure application process.

The changes remove any potential for bias from involvement of existing Board members or Nominating Committee members. This update allows anyone interested in a Board position in their respective district to submit an application. If this individual meets the eligibility requirements outlined in the Cooperative Bylaws, they will be added to the election ballot. The application is more efficient and mirrors how an individual would apply to run for office in a standard government election.

ANNUAL MEETING at which a director is to be elected from the District in which the MEMBER maintains their primary residence. A member who submits an application either (i) before nominations open, or (ii) after nominations close, shall not be considered as a candidate for Director. The COOPERATIVE will provide MEMBERS with notice of these requirements on its website, in its regular publications, and through such other means as the BOARD establishes.

(c) The Secretary shall prepare and post on the COOPERATIVE's website a list of nominations for Directors at least 45 days before the ANNUAL MEETING. The Cooperative shall also include a list of nominations for Directors with the ANNUAL MEETING notice sent to the MEMBERS.

(d) Members may not nominate an individual to run for election to a director position at, or from the floor of, a member meeting.

(e) If there are no member nominations, the BOARD shall nominate a director from that District. Nominations by the BOARD shall be posted on the COOPERATIVE's website at least 30 days before the ANNUAL MEETING. The Cooperative shall also include a list of nominations by the BOARD with the ANNUAL MEETING notice sent to the MEMBERS.

#### **SECTION 4. VOTING.**

(a) MEMBERS of each district shall elect one (1) director.

(b) A ballot marked "Ballot for Director" containing the names of all the nominees posted, alphabetically arranged and stating the residence of each, shall be sent, either by mailed or electronically, with the notice of the meeting to MEMBERS of Districts in which a Director is to be elected.

(c) The Secretary shall also send, either by mail or electronically, with the notice of the meeting a statement of the number of Directors to be elected showing the MEMBER nominations made by the committee or by petition. The statement of the Secretary shall inform the MEMBERS of the manner in which they may vote by mail or electronically for Directors.

(d) A MEMBER may vote for Directors: (i) in person, or (ii) by mail, if authorized by the BOARD, or (iii) electronically, if authorized by the BOARD.

(e) If voting by mail, the MEMBER shall vote Any MEMBER who is absent from the meeting may vote by mail for a Directors by marking on the ballot an "X" opposite the name of the candidate for whom the MEMBER wishes to cast a vote, enclosing the ballot in a sealed plain envelope inside another envelope bearing the MEMBERS name, addressed to the Secretary.

(f) When a properly executed ballot is received by mail or electronically from any MEMBER, it shall be accepted and counted.

(g) Failure to comply with the provisions of this section shall not affect the validity of the election of Directors.

~~(b) A MEMBER shall also be entitled to vote for Director by electronic means if an electronic vote is authorized by the BOARD and conducted in accordance with the laws of the State of Minnesota.~~

**SECTION 5. REMOVAL OF DIRECTORS BY MEMBERS.** The MEMBERS may remove a Director for cause. A meeting of the MEMBERS will be held to consider removal of a Director upon a majority vote of the BOARD, or by a MEMBER filing written charges specifically stating the complaint against the Director and a petition signed by at least ten percent (10%) of all the MEMBERS.

***Voting.** This change reflects grammatical and language updates, which include the incorporation of electronic voting.*

The secretary shall notify the Director of the specific charges and shall then schedule a meeting of the MEMBERS to be held no earlier than thirty (30) days after the Director has received written notice of the charges. The Director shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; the person or persons bringing the charges shall have an opportunity to present evidence. The question of the removal shall be voted upon at the meeting and any vacancy created by such removal may be filled as provided in Section 6 of Article IV.

## **SECTION 6. VACANCIES.**

(a) A vacancy occurring in the BOARD ~~may~~ shall be filled by an election of a Director for the unexpired term by the MEMBERS of the District in which the vacancy occurred. ~~the affirmative vote of a majority of the remaining Directors. A deadlocked tie vote shall be resolved by the flip of a coin. Directors so elected shall serve until the next ANNUAL MEETING at which time there shall be an election of a Director for the unexpired term by the MEMBERS of the District in which the vacancy occurred.~~

(b) If the vacancy occurs more than six months before the next ANNUAL MEETING, the BOARD shall call a special meeting of the MEMBERS of the District in which the vacancy occurred for the purpose of electing a Director for the unexpired term.

(c) ~~In the event a vacancy is not filled by appointment by the BOARD prior to the ANNUAL MEETING~~ If the vacancy occurs less than six months before the next ANNUAL MEETING, the vacancy shall be filled by the election of a Director by the MEMBERS of the District in which the vacancy occurred, at the next ANNUAL MEETING.

(d) The BOARD shall adopt policies and procedures for conducting elections to fill vacancies on the BOARD.

**SECTION 7. COMPENSATION.** Directors shall not receive a salary for their services, except that the BOARD may by resolution authorize a fixed sum for each day or portion spent on COOPERATIVE business, such as attendance at meetings, conferences, and training programs or performing committee assignments. Directors may also be reimbursed for expenses incurred in carrying out COOPERATIVE business or reasonable per diem in lieu of accounting for expenses. No Director shall receive compensation for serving the COOPERATIVE in any other capacity. No IMMEDIATE RELATIVE of Director shall be employed by the COOPERATIVE and shall be limited to a per diem and expenses as determined by the BOARD for special projects in the area of public service.

## ARTICLE V

### **MEETINGS OF BOARD**

**SECTION 1. REGULAR MEETINGS.** A regular meeting of the BOARD shall be held without notice, immediately after, and at the same place as the ANNUAL MEETING of the MEMBERS. A regular meeting of the BOARD shall also be held monthly at such time and place as determined by the BOARD. ~~The BOARD may hold regular meetings without notice, provided, that a director not attending a BOARD meeting at which a regular meeting time and place is changed is entitled to receive notice of the change at least two days before the next regular meeting.~~

***Vacancies.** This section defines how and when a vacancy on the Cooperative Board will be filled. This new language confirms that an election will be held in a vacant district and members will vote to fill the vacancy.*

**SECTION 2. SPECIAL MEETINGS.** Special meetings of the BOARD may be called by the President or by three BOARD MEMBERS who shall fix the date, time and place for the meeting and have the Secretary deliver notice.

**SECTION 3. NOTICE OF SPECIAL MEETINGS.** Written five (5) day notice of the time, place and purpose of any special meeting of the BOARD shall be delivered personally, **by mail or electronically mailed**, to each Director's last known address. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. mail, with postage prepaid.

**SECTION 4. EMERGENCY MEETINGS.** An emergency meeting is a special meeting called because of circumstances that, in the judgment of the President or any three BOARD MEMBERS, requires immediate consideration by the BOARD. Notice of the emergency meeting shall be given by telephone or by any other means used to notify the members of the BOARD. Notice shall include the subject of the meeting. If matters not directly related to the emergency are discussed or acted upon at an emergency meeting, the minutes of the meeting shall include a specific description of the matters. The failure of any Director to receive notice of an emergency meeting of the BOARD shall not invalidate the meeting. Any or all of the Directors may participate in an emergency meeting by any means of communication through which all of the Directors participating at the emergency meeting may simultaneously communicate with each other during the emergency meeting.

**SECTION 5. QUORUM.** A majority of the BOARD shall constitute a quorum, provided that if less than a majority is present, a majority of the BOARD present may adjourn the meeting and the Secretary shall notify the absent Directors of the time and place of the adjourned meeting. The act of the majority of Directors present at a meeting at which a quorum is present shall be the act of the BOARD.

**SECTION 6. WAIVER OF NOTICE.** A Director may waive in writing notice of a meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of the meeting, except in cases where the Director: (a) objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called, and (b) after objecting does not participate in the meeting.

**SECTION 7. ELECTRONIC COMMUNICATIONS.** A Director may participate in a board meeting by any means of communication through which the Director, other Directors so participating, and all Directors physically present at the meeting may simultaneously communicate with each other during the meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

## ARTICLE VI

### OFFICERS

**SECTION 1. NUMBER.** The officers of the COOPERATIVE shall be a President, Vice President, Secretary, **and Treasurer, and such other officers as may be determined by the Board from time to time.** The offices of Secretary and Treasurer may be held by the same person.

**SECTION 2. ELECTION AND TERM OF OFFICE.** After the ANNUAL MEETING, the BOARD shall elect officers **by ballot**. If the election of officers is not held at this meeting, an election shall be held as soon as convenient. Each officer shall hold office until the first meeting of the BOARD following the ANNUAL MEETING of the MEMBERS or until a successor shall have been elected and qualified. A vacancy in any office shall be filled by the BOARD for the unexpired term.

**SECTION 3. REMOVAL OF OFFICERS BY THE BOARD.** An officer may be removed by the BOARD. In addition, a MEMBER may bring charges against an officer by filing with the Secretary charges in writing together with a petition signed by ten percent (10%) of the MEMBERS or three hundred (300), whichever is less. The officer against whom such charges have been brought shall be informed in writing of the charges at least ten (10) days prior to the BOARD meeting at which the charges are to be considered, and the person or persons bringing the charges against the officer shall have an opportunity to present evidence; and the officer charged shall have an opportunity, in person or by counsel, to present evidence. The BOARD shall make a determination as to removal. In the event the BOARD determines not to conduct the removal process, the question of removal shall be considered and voted upon at the next meeting of the MEMBERS.

**SECTION 4. PRESIDENT.** The President shall:

(a) shall be the principal executive officer of the COOPERATIVE and shall preside at all meetings of the MEMBERS and the BOARD;

(b) may sign, on the COOPERATIVE'S behalf, all documents authorized or approved by the BOARD; and

(cb) shall in general, perform all duties incident to the office of President and such other duties as may be prescribed by the BOARD.

**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. The Vice President shall also perform such other duties as may be assigned by the BOARD.

**SECTION 6. SECRETARY.** The Secretary shall be responsible for:

(a) keeping the minutes of the meetings of the MEMBERS and of the BOARD;

(b) delivery of all notices in accordance with these BYLAWS or as required by law;

(c) the safekeeping of the corporate books and records and the seal of the COOPERATIVE;

(d) maintaining a register of the names and post office addresses of all MEMBERS;

(e) signing, with the President, certificates of MEMBERSHIP;

(f) keeping on file at all times a complete copy of the Articles of Incorporation and BYLAWS of the COOPERATIVE which shall be open to inspection by any MEMBER; and

(g) in general performing all duties incident to the office of Secretary and such other duties as assigned by the BOARD.

**SECTION 7. TREASURER.** The Treasurer shall be responsible for:

(a) oversight of the care and custody of all funds and securities of the COOPERATIVE;

(b) oversight of the receipt of and the issuance of receipts for all moneys funds due to the COOPERATIVE and for the deposit of moneys funds in bank or banks financial institutions selected by the BOARD; and

(c) the performance of duties incident to the office of Treasurer and duties assigned by the BOARD.

**SECTION 8. MANAGER- CHIEF EXECUTIVE OFFICER ("CEO").** The BOARD may appoint a **manager CEO** who may or may not be a MEMBER of the COOPERATIVE. The **manager CEO** shall **have general charge and management of the COOPERATIVE**, perform such duties, and **shall** exercise such authority as **determined by** the BOARD **may vest in him/her from time to time**.

**SECTION 9. BONDS OF OFFICERS.** The Treasurer and any other officer or agent of the COOPERATIVE shall be bonded or insured in a sum and with surety as determined by the BOARD.

**SECTION 10. COMPENSATION.** The powers, duties and compensation of officers, agents and employees shall be **determined approved** by the BOARD.

**SECTION 11. REPORTS.** The officers shall submit at each ANNUAL MEETING reports covering the business and financial condition of the COOPERATIVE.

**SECTION 12. DELEGATION.** Officers may, with the approval of the BOARD, delegate their duties and responsibilities to employees and agents of the COOPERATIVE.

## ARTICLE VII

### NON-PROFIT OPERATION

**SECTION 1. INTEREST OR DIVIDENDS ON CAPITAL PROHIBITED.** The COOPERATIVE shall be operated on a cooperative, non-profit basis for **the** mutual benefits of its MEMBERS. No interest or dividends shall be paid by the COOPERATIVE on any capital furnished by its MEMBERS.

#### **SECTION 2. PATRONAGE CAPITAL IN CONNECTION WITH FURNISHING ELECTRICITY ENERGY.**

(a) ~~In the furnishing of electric energy, MEMBERS furnish capital for the COOPERATIVE.~~ In order ~~to induce patronage and~~ to assure that the COOPERATIVE ~~will~~ operates on a nonprofit basis, the COOPERATIVE ~~is obligated to~~ shall account ~~on the patronage basis~~ for all ~~amounts funds~~ received from MEMBERS from the furnishing of electricity energy in excess of operating costs and expenses ("operating margins") ~~on a patronage basis~~.

(b) ~~All such amounts~~ Operating margins are received with the understanding that they are furnished by the MEMBERS as capital ~~for the COOPERATIVE~~. The COOPERATIVE ~~is obligated to~~ shall ~~pay annually~~ allocate the operating margins ~~by as~~ credits to a capital account for each MEMBER ~~all such amounts~~, provided, the member produces revenue to the COOPERATIVE in excess of an amount to be determined by the BOARD.

(c) The books and records ~~of the COOPERATIVE~~ shall be kept ~~in such a manner so~~ that at the end of each fiscal year the amount of capital, ~~so~~ furnished by each MEMBER is clearly reflected and credited to the capital account of each MEMBER, and shall within a reasonable time after the close of the fiscal year notify each MEMBER of the amount of capital so credited.

(d) All ~~such amounts funds~~ credited to the capital account of a ~~patron~~ MEMBER shall have the same status as though they had been paid to the MEMBER in cash in pursuance of legal obligation to do so and the MEMBER had then furnished the COOPERATIVE corresponding amounts for capital.

*Patronage Capital in Connection with Furnishing Electricity. This change reflects grammatical and language updates only. The Capital Credit distribution process will not be changed.*

**SECTION 3. NON-PATRONAGE CAPITAL.** All other amounts received by the COOPERATIVE from its operations in excess of costs and expenses (non-operating margins) may, insofar as permitted by law (a) be used to offset any losses incurred during the current or any prior fiscal year, (b) be included as part of the capital credited to the accounts of MEMBERS, (c) be retained as permanent, non-allocated capital reserves, or (d) be used as otherwise determined by the BOARD.

**SECTION 4. RETIREMENT OF CAPITAL CREDITS FOLLOWING DISSOLUTION.**

In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association have been paid, outstanding capital credits shall be retired on a pro rata basis before any payments are made on account of property rights of MEMBERS.

**SECTION 5. RETIREMENT OF CAPITAL CREDITS BY BOARD.**

(a) If, at any time prior to dissolution or liquidation, the BOARD shall determine that the financial condition of the ~~Association~~ COOPERATIVE will not be impaired, the capital credited to MEMBERS' accounts may be retired in full or in part. The BOARD shall determine the method, basis, priority, and order of retirement, if any, for all amounts furnished as capital, including capital credits earned by COOPERATIVE from any other source.

~~(b) The BOARD shall have the authority to retire capital credited to the account of MEMBERS who shall have attained the age of seventy (70) years on such terms and conditions as it deems appropriate.~~

~~(be) The BOARD at its discretion, shall have the power authority at any time upon the death of any MEMBER, who was a natural person, if the legal representatives of the MEMBER'S estate shall request in writing that the capital credited to any such MEMBER be retired prior to the time such capital would otherwise be retired under the provisions of these BYLAWS, to retire capital credited immediately upon to the account of the deceased MEMBER on such terms and conditions as the BOARD, acting under policies of general application, and the legal representatives of the MEMBER'S estate shall agree deems appropriate.~~

~~(dc) The BOARD may at any time deduct from the account of capital credits for a MEMBER the discounted amount which would be paid to the MEMBER if the capital credits were retired for any amount that the MEMBER owes the COOPERATIVE.~~

**SECTION 6. ENERGY CONSERVATION LOANS.** The BOARD shall have the authority to ~~make loans to MEMBERS as part of~~ adopt an energy conservation loan program. ~~The BOARD shall have the authority to enter into agreements with RUS for the purpose of securing extension of the time to make certain principal payments on RUS loans so as to provide funds for the loans.~~

**SECTION 7. SERVICE CHARGE ON UNCLAIMED CAPITAL CREDITS.** The COOPERATIVE may deduct a reasonable service charge against the capital credits of a ~~patron~~ MEMBER who has not claimed them beginning one year after the capital credits are declared payable. The amount of such service charge shall be determined by the BOARD and shall be based on the current cost of handling the capital credit account of the MEMBER.

~~**SECTION 8. BYLAWS A CONTRACT.** The MEMBERS acknowledge that the terms and provisions of the Articles of Incorporation and BYLAWS shall constitute a contract. The provisions of this article of BYLAWS shall be posted in a conspicuous place in the COOPERATIVE'S office.~~

**Retirement of Capital Credits by Board.** This update removes the ability for the Board to retire Capital Credits early to members age seventy and over due to ADA compliance.

**Bylaws A Contract.** This section has been relocated to Article I. No changes to the language have been proposed.

~~**SECTION 9. SECURITY INTEREST IN CAPITAL CREDITS.** As security for the full and prompt payment and performance when due of any and all obligations or indebtedness that may be owed by a MEMBER to the COOPERATIVE, each MEMBER grants the COOPERATIVE a continuing security interest in and recoupment claim against the patronage capital allocated to the MEMBER.~~

*Security Interest in Capital Credits. This section has been relocated to Article I. No changes to the language have been proposed.*

## ARTICLE VIII

### **DISPOSITION OF PROPERTY AND OTHER SIGNIFICANT ACTS**

(a) The COOPERATIVE may not sell, mortgage or otherwise dispose of or encumber more than twenty-five percent (25%) of its property; merge with or consolidate into another entity that is not a rural electric cooperative association within the meaning of the Rural Electrification Act of 1936; or dissolve the COOPERATIVE; or file for bankruptcy with the United States Bankruptcy Court unless authorized by the MEMBERS. Such authorization shall be in the form of a resolution adopted at a special or regular meeting of the members in which the notice of the meeting shall include a statement that such proposed act(s) will be considered. If a quorum is present in person or by mail or electronic ballot at such meeting, the resolution approving such act(s) shall be adopted as approved by the affirmative vote of two-thirds (2/3) of all the MEMBERS of the COOPERATIVE.

(b) The BOARD, without authorization of the MEMBERS, shall have authority to borrow funds from the United States of America pursuant to the Rural Electrification Act of 1936, as amended, and such sums as it may deem advisable from National Rural Utilities Cooperative Finance Corporation (CFC) and other lending agencies, such loans and such assumptions of indebtedness to be in such amounts and upon terms as the BOARD deems advisable. The BOARD may authorize the officers to execute and deliver evidences of indebtedness to secure notes, or bonds of indebtedness issued by the COOPERATIVE, and the BOARD is authorized to mortgage, all or any portion of the property of the COOPERATIVE in order to secure the loans.

(c) The COOPERATIVE may not merge with or consolidate with a rural electric cooperative association within the meaning of the Rural Electrification Act of 1936 unless authorized by the MEMBERS. Such authorization shall be in the form of a resolution adopted at a special or regular meeting of the members in which the notice of the meeting shall include a statement that such proposed act(s) will be considered. If a quorum is present in person or by mail or electronic ballot at such meeting, the resolution approving such act(s) shall be adopted as approved by the affirmative vote of two-thirds (2/3) of the MEMBERS voting.

(d) Any repeal, amendment, or alteration of this article that would result in a change in the MEMBER approval requirements for acts described, must be approved by a majority vote of all MEMBERS of the COOPERATIVE.

## ARTICLE IX

### **SEAL**

The BOARD OF DIRECTORS may adopt, alter or abandon the use of a corporate seal.

# ARTICLE X

## FINANCIAL TRANSACTIONS

**SECTION 1. CONTRACTS.** The BOARD may authorize an officer or agent to enter contracts on behalf of the COOPERATIVE.

**SECTION 2. CHECKS, DRAFTS.** All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness shall be issued as determined by the BOARD.

**SECTION 3. DEPOSITS.** All funds except petty cash of the COOPERATIVE shall be deposited to the credit of the COOPERATIVE in such financial institution as the BOARD may select.

**SECTION 4. FISCAL YEAR.** The fiscal year of the COOPERATIVE shall begin on the first day of January and shall end on the thirty-first day of December of the same year.

# ARTICLE XI

## MISCELLANEOUS

**SECTION 1. MEMBERSHIP IN OTHER ORGANIZATIONS.** The COOPERATIVE shall not become a MEMBER of or purchase stock in any other organization without compliance with the Articles of Incorporation, BYLAWS, and Laws of the State of Minnesota.

**SECTION 2. POLICIES, RULES AND REGULATIONS.** The BOARD shall have the power to adopt policies, rules and regulations, for the management of the business of the COOPERATIVE.

**SECTION 3. ACCOUNTING SYSTEM AND REPORTS.** The BOARD shall establish and maintain a complete accounting system. At the close of the fiscal year an audit shall be performed by a Certified Public Accountant and a report of the audit shall be submitted to the MEMBERS at the ANNUAL MEETING.

**SECTION 4. AREA COVERAGE.** The BOARD shall make diligent effort to see that electric and any other services offered by the COOPERATIVE is are extended to all persons within the COOPERATIVE service area who (a) desire such service and (b) meet reasonable requirements established by the COOPERATIVE.

### **SECTION 5. ARBITRATION.**

(a) Any and all disputes, claims or controversies ("disputes") arising from or related in any way to the COOPERATIVE'S providing of electricity or other services, or in its furnishing of any goods, or in the conduct of its operations, other than disputes or claims relating to the payment for electricity and/ or other services provided by the COOPERATIVE, that are not resolved by agreement of the parties, shall, at the request of either party, be resolved by binding arbitration. If the arbitration involves a sum in excess of \$100,000.00, there shall be three (3) arbitrators, one (1) picked by each party and a third selected by the two (2) arbitrators selected by the parties. In the event the dispute involves less than \$100,000.00, there shall be one (1) arbitrator. If the parties cannot agree on an arbitrator, the determination shall be made by the Minnesota District Court in Stearns County, Minnesota. The arbitration shall take place in Stearns County, Minnesota, or at any other place as agreed by the parties, under and pursuant to The Uniform Arbitration Act in Minnesota

***Arbitration.** This new section was added to provide a speedier and less costly method to resolve disputes between a member and the Cooperative. The language allows the member or the Cooperative to choose arbitration instead of a jury trial. Arbitration as a process to resolve disputes has long been recognized in Minnesota law and many cooperatives in Minnesota already have similar language adopted in their Bylaws. The Minnesota Rural Electric Association and the Cooperative's insurance company aided in the development of the proposed language.*

Statutes, Chapter 572B, or any successor provisions. The determination of any dispute in arbitration shall be governed by the laws of the State of Minnesota, including, but not limited to, the Frye-Mack Standard, and not the Daubert Standard, with respect to experts testimony. The cost of the arbitrators and filing fees shall be shared equally by the parties.

(b) All disputes between the parties must be arbitrated individually, and not through a Class Action.

(c) Based on the membership enacting this binding arbitration provision as a means of dispute resolution, each MEMBER of the COOPERATIVE, by virtue of membership, agrees to arbitrate any and all disputes according to the Bylaws, and the regulations, procedures, and policies established from time to time by the BOARD, and further agrees to abide by and perform any awards made hereunder. This agreement to arbitrate disputes shall survive any withdraw from or termination of a MEMBER'S membership in the COOPERATIVE.

## ARTICLE XII

### **AMENDMENTS**

These BYLAWS may be altered, amended or repealed by the MEMBERS at any regular or special meeting, 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 VIII or of this sentence of this Article XII of these Bylaws that results, directly or indirectly, in a change in the member approval requirements for acts described in Article VIII, must be approved by a majority of all members of the Cooperative.

## ARTICLE XIII

### **STATEMENT OF NONDISCRIMINATION**

Stearns Cooperative Electric Association has filed with the Federal Government a Compliance Assurance in which it assures that it will comply fully with all requirements of Title VI of the Civil Rights Act of 1964, all requirements of Section 504 of the Rehabilitation Act of 1973, as amended, all requirements of the Age Discrimination Act of 1975, as amended, and all requirements of the rules and regulations of the U.S. Department of Agriculture to the end that no person in the United States shall, on the ground of race, color, sex or national origin, or solely by reason of such person's handicap, or on the basis of age, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in the conduct of its program or the operation of its facilities. Under this Assurance, this organization is committed not to discriminate against any person on the ground of race, color, sex or national origin, solely by reason of such person's handicap, or on the basis of age, in its policies and practices relating to applications for service or any other policies and practices relating to treatment of beneficiaries and participant including employment, rates, conditions and extension of service, admission or access to or use of any of its facilities, attendance at and participation in any meetings of beneficiaries and participants or the exercise of any rights of such beneficiaries and participants in the conduct of the operations of this organization.

Any individual, or any specific class of individuals, who feels subjected by this organization to discrimination prohibited by Title VI of the Civil Rights Act, by Section 504 of the Rehabilitation Act, by the Age Discrimination Act or by the rules and regulations of the U.S. Department of Agriculture may personally or

through a representative, file with the Office of the Secretary, U.S. Department of Agriculture, Washington, D.C., 20250; the Office of the Administrator, RUS, Washington, D.C. 20250, the Office of Advocacy and Enterprise, U.S. Department of Agriculture, Washington, D.C. 20250; or this organization, or all, a written complaint. A complaint must be filed not later than 180 days after the alleged discrimination, or by such later date which the Secretary of Agriculture or the Administrator of the RUS extends the time for filing. Identity of complaints will be kept confidential except to the extent necessary to carry out the purposes of the rules and regulations of the U.S. Department of Agriculture.

## *The Stearns Electric Association Board of Directors is asking our member-consumers to approve proposed amendments to the Cooperative's Articles of Incorporation and Bylaws.*

The proposed amendments within this packet have been reviewed and approved by the current Stearns Electric Board of Directors. However, they cannot be placed into effect without a majority vote (of those that participate in the voting process) of approval by members. This membership vote will take place in conjunction with the Director elections and Annual Meeting on April 2, 2020.

## **THE COOPERATIVE DIFFERENCE.** YOU HAVE A VOICE WITH YOUR VOTE.

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### **INSTRUCTIONS FOR VOTING:**

#### **1. VOTE ONLINE\*;**

Vote online through SmartHub by logging into your account and clicking on the "Vote Now" button in the top right corner, or by following the website URL provided in your ballot package and using the personalized member number and election passcode to log in. In either format, follow the online voting instructions to place your vote. If you vote online, **do not** mail a paper ballot.

#### **2. VOTE BY MAIL\*;**

On the paper ballot received in the mail, vote on the amendments by selecting either "YES" or "NO" to the question "Resolved, that the members of Stearns Cooperative Electric Association hereby approve the Third Restated Articles of Incorporation and the Restated Bylaws recommended for adoption by the Cooperative's Board of Directors", then place the ballot into the envelope marked "Ballot Envelope" and seal. Place the "Ballot Envelope" in the return envelope addressed to "Secretary," seal and mail it. Please allow for sufficient time for delivery.

#### **3. IN PERSON AT THE ANNUAL MEETING;**

Polls will open at 6:30 p.m. until balloting closes.

\*Online or mail ballots will only be accepted if received by 3:00 p.m. on April 1, 2020.

Members in Districts 1, 7 and 8 will receive a ballot package that also includes the option to vote for a Director to represent their respective district.

# YOUR membership MATTERS



member driven.  
community focused.  
energy smart.

## MELROSE HEADQUARTERS

900 Kraft Drive SE, PO Box 40  
Melrose, MN 56352  
Phone: (800) 962-0655  
Fax: (320) 256-3618

## ST. JOSEPH BRANCH OFFICE

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