



member driven.  
community focused.  
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## **COOPERATIVE BYLAWS**

# STEARNS ELECTRIC ASSOCIATION BYLAWS

## TABLE OF CONTENTS:

Definitions ..... Page 2

Article I. Membership ..... Page 2

Article II. Rights and Liabilities of Members ..... Page 5

Article III. Meeting of Members ..... Page 5

Article IV. Board Members ..... Page 7

Article V. Meetings of Board ..... Page 11

Article VI. Officers ..... Page 12

Article VII. Non-Profit Operation ..... Page 14

Article VIII. Disposition of Property and Other Significant Acts ..... Page 15

Article IX. Seal ..... Page 16

Article X. Financial Transactions ..... Page 16

Article XI. Miscellaneous ..... Page 16

Article XII. Amendments ..... Page 17

Article XIII. Statement of Nondiscrimination ..... Page 17

## DEFINITIONS

### **ANNUAL MEETING:**

Gathering of MEMBERS of the Cooperative according to legal notice.

### **BOARD:**

Directors elected by MEMBERS to collectively govern the Cooperative.

### **BYLAWS:**

Rules and procedures adopted by the MEMBERS relating to the management and regulation 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:**

Persons and entities, including joint members, (1) receiving electric service from the COOPERATIVE, and (2) having voting rights as reflected on the records of the COOPERATIVE.

### **RUS:**

Rural Utilities Services, an agency of the United State Government.

## 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.

## **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 MEMBER 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. PURCHASE OF ELECTRICITY**

Each MEMBER shall purchase from the COOPERATIVE all (or such lesser amount allowed by law) electricity used on the MEMBER's premises, and shall pay rates set by the BOARD; provided, that the amount of electricity which the COOPERATIVE will furnish to MEMBERS may be limited. Each MEMBER shall pay to the COOPERATIVE a minimum amount for service, regardless of the amount of 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 6. 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.
- (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.

#### **SECTION 8. EASEMENTS AND ACCESS**

Each MEMBER shall furnish the COOPERATIVE with easements on, under, and over, the MEMBER'S property for: (a) the construction, operation, and maintenance of the COOPERATIVE'S utility lines and equipment, (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 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 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.

### **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, (2) publication in a magazine, periodical, or house organ regularly published at least fifteen (15) days prior to the date of the meeting, (3) 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) 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**

Fifty (50) MEMBERS shall constitute a quorum determined by members present or represented by mail vote or by electronic 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 and mail ballot, and electronic 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.

#### **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.

- (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 MEMBER shall vote by 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.

#### **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 COOPERATIVE shall be governed by a Board of Directors.

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

- (a) The COOPERATIVE shall be divided into not less than seven (7) Director Districts, and not more than eleven (11) Director Districts, as designated by the BOARD from time to time.
- (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.
- (d) Approximately 1/3 of the Directors shall be elected by ballot at each ANNUAL MEETING to fill the vacancies of the Directors of Districts whose terms expire.

In each Director District election, 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.
- (f) 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 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;
  - (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;
  - (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.
- (g) If a MEMBERSHIP is held jointly, any one JOINT MEMBER may serve as a Director, provided the JOINT MEMBER meets the MEMBERSHIP qualifications.
- (h) 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.

- (j) 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) 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 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 mail or electronically, to MEMBERS of Districts in which a Director is to be elected.
- (c) The Secretary shall also send, either by mail or electronically, a statement of the number of Directors to be elected showing the MEMBER nominations. 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 for a Director by marking the ballot 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.

#### **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. 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 shall be filled by 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) 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.

### **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, 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, 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. 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:

- (a) shall be the principal 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
- (c) 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 funds due to the COOPERATIVE and for the deposit of funds in 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. CHIEF EXECUTIVE OFFICER ("CEO")**

The BOARD may appoint a CEO who may or may not be a MEMBER of the COOPERATIVE. The CEO shall have general charge and management of the COOPERATIVE, perform such duties, and exercise such authority as 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 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 benefit 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**

- (a) In order to assure that the COOPERATIVE operates on a nonprofit basis, the COOPERATIVE shall account for all funds received from MEMBERS from the furnishing of electricity in excess of operating costs and expenses ("operating margins") on a patronage basis.
- (b) Operating margins are received with the understanding that they are furnished by the MEMBERS as capital for the COOPERATIVE. The COOPERATIVE shall annually allocate the operating margins as credits to a capital account for each MEMBER, 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 so that at the end of each fiscal year the amount of capital furnished by each MEMBER is clearly reflected and credited to the capital amount 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 funds credited to the capital account of a MEMBER shall have the same status as though they had been paid to the MEMBER is cash in pursuance of legal obligation to do so and the MEMBER had then furnished the COOPERATIVE corresponding amounts for capital.

### **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 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 upon the death of a MEMBER, who was a natural person, to retire capital credited to the account of the deceased MEMBER on such terms and conditions as the BOARD, acting under policies of general application, deems appropriate.
- (c) 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 adopt an energy conservation loan program.

#### **SECTION 7. SERVICE CHARGE ON UNCLAIMED CAPITAL CREDITS**

The COOPERATIVE may deduct a reasonable service charge against the capital credits of a 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.

### **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 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 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.