

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE SIOUX VALLEY-SOUTHWESTERN ELECTRIC COOPERATIVE, INC.
February 20, 2015**

The regular meeting of the Board of Directors of the Sioux Valley-Southwestern Electric Cooperative, Inc. (dba. Sioux Valley Energy) was held on February 20, 2015 commencing at 8:30 a.m. at the Cooperative's headquarters in Colman, South Dakota.

The meeting was called to order by President Mark Rogen. Chair Rogen appointed Henning Hansen to serve as Acting Secretary to preside as Secretary for the meeting.

Roll call showed the following members present:

Jan Bobendrier	Gary Drost	Gary Fish
Henning Hansen	Mark Kahler	Allan Kooima
Bruce Martinson	Mark Rogen	Allan Weinacht
Arlyn Zylstra		

All directors were present except Rodney DeMent, Secretary. Also present were Attorney Alan Peterson, General Manager Tim McCarthy, management staff members Ted Smith, Betty VanDerWerff, Carrie Law, Debra Biever, and Jake VanDewater, and Staff Assistant and Communications Specialist Sheila Gross. Member Jay Leibel was present for a brief visit with the board.

REVIEW AND CONSIDERATION OF AGENDA

The agenda was presented for consideration. A motion to approve the agenda was made by Mr. Martinson, seconded by Mr. Kahler. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF MINUTES

A motion to approve the minutes of the board meeting of January 27th, 2015 was made by Mr. Drost, seconded by Mr. Kooima. The motion carried by majority vote.

MEMBER VISIT WITH THE BOARD

Member Jay Leibel submitted a request to attend the Sioux Valley Energy board meeting. He expressed his thoughts on the sale of Sioux Valley Wireless and the board took Mr. Leibel's concerns under advisement.

REVIEW AND CONSIDERATION OF PROPOSED RESOLUTION FOR THE ANNEXATION AGREEMENT WITH THE CITY OF BROOKINGS

Ted Smith presented a proposed resolution for the Annexation Agreement with the City of Brookings. The City of Brookings has notified us that they had one annexation in 2014 consisting of approximately 0.38 acres of which Sioux Valley Energy has no members. A motion to approve the resolution was made by Ms. Bobendrier, seconded by Mr. Zylstra. The motion carried by majority vote. The adopted resolution is attached to the minutes.

REVIEW AND CONSIDERATION OF SOUTHERN MINNESOTA ENERGY COOPERATIVE (SMEC) OPERATING DOCUMENTS AND PROPOSED RESOLUTION

Manager McCarthy discussed the preliminary operating documents for the SMEC acquisition and presented a proposed resolution for support of the Sioux Valley Energy board of directors as a member of the Southern Minnesota Energy Cooperative. A motion to approve the resolution was made by Mr. Martinson, seconded by Mr. Kahler. The motion carried by majority vote. The adopted resolution is attached to the minutes.

REVIEW AND CONSIDERATION OF PROPOSED REVENUE DEFERRAL

Manager McCarthy presented a proposed resolution to defer an additional \$1-million in 2014 which would amend the RUS plan. In December, the board approved the deferment of \$1-million of the 2014 revenue which was approved by RUS. Mr. Drost made a motion to defer an additional \$1-million bringing the total deferred revenue to \$2-million for the year 2014 and to adopt the following resolution, seconded by Ms. Bobendrier. The motion carried by majority vote.

WHEREAS, Sioux Valley-Southwestern Electric Cooperative, Inc. has sufficient margins in 2014 to defer revenue in the approximate amount of \$2,000,000 in an effort to minimize general rate increases over the next 4 years beginning in 2015.

WHEREAS, Sioux Valley-Southwestern Electric Cooperative, Inc. submitted a request in December 2014 to defer \$1,000,000 which has been approved.

WHEREAS, the cooperative's board of directors is aware of the potential impact on its tax exempt and "cooperative" statuses.

WHEREAS, the board of directors of the cooperative accept the responsibility for the implementation of the revenue deferral plan.

WHEREAS, all deferred amounts will be segregated in a special fund in cash until such time as a like amount is subsequently amortized into revenue.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors of Sioux Valley-Southwestern Electric Cooperative, Inc. authorizes the Cooperative to submit the exact amounts of the revenue deferral plan to the Rural Utilities Service to approve deferring an additional \$1,000,000 of 2014 revenue for a total of \$2,000,000 which will be amortized into revenue when needed over a 4 year period beginning in 2015.

SAFETY STEERING TEAM PRESENTATION

Sharla Haugen, Chair of the Safety Steering Team, gave the board an update on the work processes, activities, training opportunities, and initiatives of the Safety Steering and Continuous Improvement Teams since the program's inception last April. The board viewed a safety video made by the employee group entitled "Safety is our Responsibility."

REVIEW AND CONSIDERATION OF GENERAL MANAGER'S REPORT

Manager McCarthy reviewed key highlights of his written report. He reported on wholesale power purchases, sales and revenue for the month; the upcoming audit from Clifton Larson Allen; the increase in district meeting attendance; the third EmPOWER Youth Leadership session; his visit with Heartland Security; the strategic planning process; and language in Article IV Section 3 that the board will consider as part of their upcoming policy and Bylaw review.

Manager McCarthy's written report also included new service requests; service interruptions; estate capital credit retirements; member, public, and government relation activities; an update on employee changes and the medical insurance plan; and the January safety and wellness report.

ACCEPT MANAGER'S REPORT

A motion to accept the manager's report was made by Mr. Weinacht, seconded by Mr. Kooima. The motion carried by majority vote.

REVIEW AND CONSIDERATION OF MEMBER ADVISORY COUNCIL MEETING DATE

Dates for consideration of the next Member Advisory Council (MAC) meeting were discussed. Mr. Kahler made a motion to approve April 9th, 2015 as the next MAC meeting date, seconded by Mr. Zylstra. The motion carried by majority vote.

REPORTS ON POWER SUPPLY MEETINGS

East River Board Meeting – Chair Rogen reported on his attendance at the East River board meeting.

Basin Electric Board Meeting – Mr. Drost reported on his attendance at the Basin Electric board meeting and a supplementary video report was shown.

L&O Power Cooperative Board Meeting – Directors Bobendrier, Drost, and Zylstra reported on their attendance at the L&O Power Cooperative board meeting.

REPORTS ON MEETINGS ATTENDED

East River Energize Forum – Directors Drost, Hansen, Kahler, Kooima, Martinson, and Weinacht reported on their attendance at the East River Energize Forum.

MREA Annual Meeting – Directors Bobendrier, Hansen, Martinson, and Rogen reported on their attendance at the MREA Annual Meeting.

NOTICES OF MEETINGS, SELECTION OF DELEGATES AND AUTHORIZATION FOR ATTENDANCE

Co-op Day at the Capitol – Notice of the Co-op Day at the Capitol in Pierre, SD on March 3rd was given. Mr. Drost made a motion to authorize Mr. Hansen to attend, seconded by Mr. Zylstra. The motion carried by majority vote.

CoBank Customer Meetings – Mr. Drost requested to change his registration from the Minneapolis meeting to the Fargo meeting.

OTHER BUSINESS

Manager McCarthy asked the board for a recommendation on setting up member access to Sioux Valley Energy board meeting minutes on the website. Mr. Drost made a motion to post the minutes as part of the general posting and not in a secure area, seconded by Mr. Kooima. The motion carried by majority vote.

EXECUTIVE SESSION

Mr. Weinacht made a motion, seconded by Mr. Zylstra to move into executive session for the purpose of reviewing legal matters. The motion carried by majority vote. The meeting was recessed for lunch at 12:35 p.m. and began again at 1:15 p.m. Mr. Weinacht made a motion to adjourn the executive session at 1:27 p.m., seconded by Mr. Drost. The motion carried by majority vote.

NEXT MEETING

The next board meeting date will be Tuesday, March 24th, 2015 at the Colman headquarters beginning at 8:30 a.m.

ADJOURNMENT

Chair Rogen declared the Sioux Valley Energy board meeting adjourned at 1:30 p.m.

Henning Hansen, Acting Secretary

Date Approved: _____

ATTACHMENT TO BOARD MINUTES OF FEBRUARY 20, 2015**APPROVED RESOLUTION FOR THE ANNEXATION AGREEMENT WITH THE CITY OF BROOKINGS**

WHEREAS, the Cooperative and the City entered into a Territorial Agreement dated January 19, 1976, pursuant to the provisions of Chapter 49-34A, SDCL, which Agreement was approved and ratified by the Public Utilities Commission for the State of South Dakota, and

WHEREAS, thereafter the City did annex certain territories to the City, which territories were service territory of the Cooperative, and

WHEREAS, the City has proposed to purchase the facilities and assume service to all consumers in the newly annexed areas pursuant to letter proposals dated September 23rd, 2014 and the Cooperative is required to transfer said territory in accordance therewith, now therefore,

FOR AND IN CONSIDERATION of the mutual promises, conditions and terms contained herein, the parties do hereby covenant, contract and agree as follows, to-wit:

The Cooperative hereby relinquishes all service rights to the City in the following described territory, to-wit:

Resolution 79-14; The North 35 feet of the SW ¼ of Section 2-T109N-R50W, excluding the East 1,309.59 feet thereof.

In accordance with the maps attached hereto as "Exhibit A1".

The Cooperative hereby is required to sell and the City hereby is required to purchase the electric lines, poles, appurtenances and facilities located within and/or near the above described property and to pay for the costs of reintegrating the Cooperative's system, all in accordance with the schedule attached hereto as "Exhibit B".

The purchase price for facilities being sold to the City shall be \$0.00, as the cooperative does not have any facilities in the affected area.

As and for additional consideration for the purchase of the Cooperative's facilities and the right to serve existing and all future customers within the above described territory assumed by the City, the City furthermore agrees to pay as compensation for service rights, an annual amount equal to the sum of twenty-five percent of the gross revenues received from power sales to consumers of electric power within the annexed area. The obligation of the annexing municipality to compensate the utility for service rights shall continue for eleven years from the date of the offer to purchase by the annexing municipality. During the eleven-year period, compensation for service rights to any one customer location within the annexed area shall be paid by the annexing municipality for a period of seven years or until the expiration of the eleven-year period, whichever is less. Gross revenues received shall be determined by applying the rate in effect by the municipality at the time of purchase.

The City agrees to apply to the South Dakota Public Utilities Commission of the State of South Dakota for the transfer and assignment of the Cooperative's certified service territory to the City.

It is understood and agreed that the Date of Possession of said territory shall be determined at a later date. The parties agree to work together to effect a smooth transition causing the least inconvenience to electric patrons located within the City.

The Cooperative agrees to refund to its customers, as of, or prior to the Date of Possession, any refundable deposits and there shall be no assumption by the City of such refundable deposits. From and after the Date of Possession, the Cooperative agrees to indemnify, and save harmless the City against any and all claims based upon transactions occurring prior to the Date of Possession with respect to refundable deposits.

At the time of transfer of individual consumers, the consumer meters shall be jointly read by representatives of the City and the Cooperative. This reading shall be used to determine the final bill to be issued by the Cooperative and the initial reading for use by the City. The Cooperative shall be entitled to all revenues derived from sales prior to said meter reading, and shall be responsible for collection of those revenues, except: any receivables still outstanding 60 days following the transfer date shall be purchased by the City, and further collection shall be the responsibility of the City. The Cooperative shall make diligent effort to collect its revenues within the 60 day period.

The Cooperative's cash retirement of consumers' retained capital credits shall be consistent with Cooperative policy.

The Cooperative shall assign to the City all right-of-way easements of record pertaining to the facilities to be purchased by the City through this Agreement. The City shall prepare the assignment documents.

Exhibit A-1

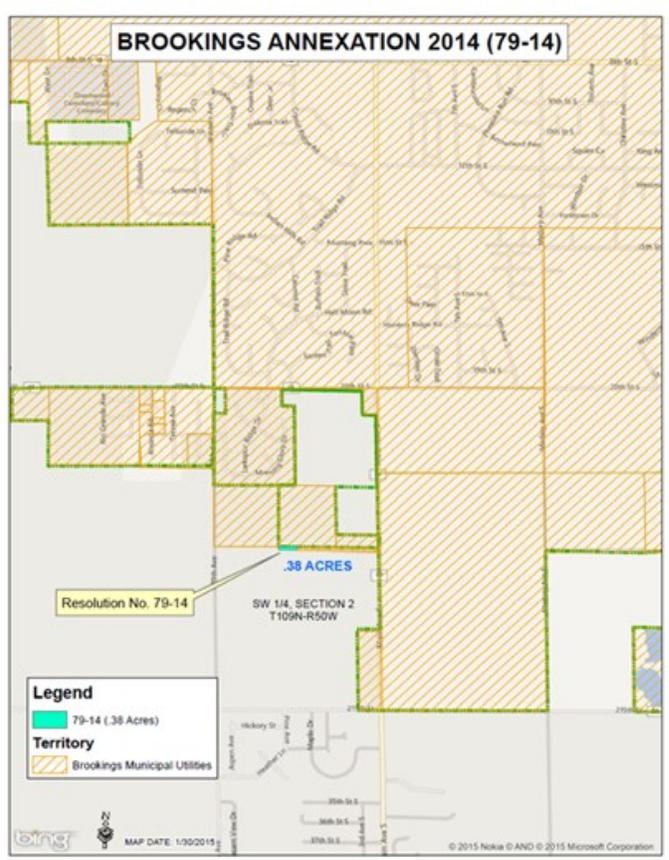


Exhibit B

The Cooperative does not have any customers in the annexed areas. There are cooperative facilities that go through the annexed areas and these are needed to continue to serve cooperative members in areas not yet annexed by the City. There are, therefore, no facilities that will be transferred to the City and no payment for existing facilities.

APPROVED RESOLUTION FOR SOUTHERN MINNESOTA ENERGY COOPERATIVE

WHEREAS, Sioux Valley-Southwestern Electric Cooperative, Inc. ("Cooperative") is a member of the Southern Minnesota Energy Cooperative, a Minnesota cooperative corporation ("SMEC"); and

WHEREAS, SMEC has executed with Interstate Power and Light Company, an Iowa corporation ("IPL"), an Asset Purchase and Sale Agreement ("APA") regarding the purchase of certain IPL electric utility assets, customers, and service territory ("Utility Assets"), part of which assets are located in the Cooperative's service territory; and

WHEREAS, SMEC has also negotiated a Wholesale Power Supply Agreement with IPL ("WPSA") in connection with the APA; and

WHEREAS, the Board of Directors of the Cooperative deems it advisable and in the best interests of the Cooperative for SMEC to purchase IPL's Utility Assets through the APA and to enter into the WPSA; and

WHEREAS, the Board of Directors of the Cooperative deems it advisable and in the best interests of the Cooperative for the Cooperative, at the time of the acquisition by SMEC of the Utility Assets, to enter into (1) an Operation, Maintenance and Access Agreement with SMEC for, among other things, the operation and maintenance requirements of the Cooperative's share of the Utility Assets which SMEC will purchase from IPL ("O&M Agreement") and (2) a Vehicles and Working Capital Settlement Agreement; and

WHEREAS, the Board of Directors of the Cooperative deems it advisable and in the best interests of the Cooperative to execute a Continuing Guaranty with the National Rural Utilities Cooperative Finance Corporation ("CFC") for the Cooperative's share of the loan (in an original principal amount not to exceed \$140 million) for SMEC's purchase of the Utility Assets from IPL; and

WHEREAS, the Board of Directors of the Cooperative deems it advisable and in the best interests of the Cooperative for the Cooperative to obtain any necessary consents from third parties such as the U.S. Department of Agriculture, Rural Utilities Service ("RUS"), other power suppliers, its members, if necessary, and any other consents necessary to permit the Cooperative and SMEC to proceed with the transactions contemplated by these resolutions.

IT IS FURTHER RESOLVED that the O&M Agreement together with a form of Exit Asset Purchase Agreement (Exhibit B) and a form of Power Supply Agreement (Exhibit C) thereto providing for, among other things, the operation and maintenance requirements of the Cooperative's share of the Utility Assets which SMEC will purchase from IPL, substantially in the form previously presented to and reviewed by the Board of Directors of the Cooperative, is hereby authorized and approved, and any officer of the Cooperative (each an "Authorized Officer") be, and hereby is, authorized and directed, for and on behalf of the Cooperative, to execute and deliver such O&M Agreement, the Exit Asset Purchase Agreement and the Power Supply Agreement, with such changes, additions, deletions and modifications thereto as any Authorized Officer may approve, such approval to be evidenced by the execution thereof.

IT IS FURTHER RESOLVED that the Vehicles and Working Capital Settlement Agreement substantially in the form previously presented to and reviewed by the Board of Directors of the Cooperative, is hereby authorized and approved, and any Authorized Officer be, and hereby is, authorized and directed, for and on behalf of the Cooperative to execute and deliver such Vehicles and Working Capital Settlement Agreement, with such changes, additions, deletions and modifications thereto as any Authorized Officer may approve, such approval to be evidenced by the execution thereof.

IT IS FURTHER RESOLVED that the Continuing Guaranty required by CFC for the Cooperative's proportionate share of the loan (in an original principal amount not to exceed \$140 million) that CFC will make to SMEC, substantially in the form previously presented to and reviewed by the Board of Directors of the Cooperative, is hereby authorized and approved, and any Authorized Officer be, and hereby is, authorized and directed, for and on behalf of the Cooperative, to execute and deliver such Continuing Guaranty, with such changes, additions, deletions and modifications thereto as any Authorized Officer may approve, such approval to be evidenced by the execution thereof.

IT IS FURTHER RESOLVED that the Cooperative is hereby authorized to obtain all consents and approvals from RUS, CFC, other power suppliers, its members, if necessary, and from such other parties as contemplated by the APA, for the purpose of proceeding with the transactions contemplated by these resolutions.

IT IS FURTHER RESOLVED that any Authorized Officer of the Cooperative is hereby authorized to do and perform such other acts and things on behalf of the Cooperative, acting with the advice of counsel, as may be necessary, desirable, or appropriate in furtherance of these resolutions, including, without limitation, executing, delivering, filing and recording any and all other agreements, documents, certificates and instruments, and paying all costs, fees and expenses, in each case customary or desirable to effectuate and consummate the transactions contemplated by these resolutions.

IT IS FURTHER RESOLVED that all actions previously taken by any officer or director of the Cooperative or by SMEC in connection with the matters contemplated by these resolutions are hereby approved, adopted, ratified and confirmed in all respects.

IT IS FURTHER RESOLVED that the Secretary or any Assistant Secretary of the Cooperative is hereby authorized and directed to furnish a copy of these resolutions to SMEC, IPL, CFC, RUS and such other parties as any Authorized Officer determines to be necessary, desirable, or appropriate.

IT IS FURTHER RESOLVED that this consent (i) may be executed in counterparts, each of which will be considered an original and all of which together will constitute one and the same document, and (ii) may be executed by facsimile and/or electronically scanned signatures, which shall be considered originals.

(The Exhibit has been filed with the original transcripts of the minutes.)