



Board of Directors recommends amendments to Bylaws & Articles for members' vote; watch for ballots to arrive July 1

Explanation of the amendments

The continued growth and development of Federated Broadband has progressed to the point that the accounting of its activities needs to be more clearly identified in the Bylaws and Articles of Federated Rural Electric Association (Federated). The Board of Directors recommends to the members that Federated Broadband should be operated on the cooperative basis and not as a separate subsidiary business. This means in part that capital credits may be allocated to the members from these services and other cooperative services.

The Bylaws and Articles presently do allow this, but best accounting practices recommend Federated Bylaws and Articles be amended to clearly allow Federated Broadband to operate on the cooperative basis. It was determined that certain amendments should be made to the Federated Bylaws and Articles.

Therefore, the Federated Board of Directors instructed its management team, auditors, and attorney for the Association to review the Bylaws and the Articles to clearly provide for operating Federated Broadband and other future cooperative services on a cooperative basis. After months of review by staff and after consideration of the proposed changes by the Board of Directors, it was resolved to present to the members the following proposed revised Bylaws and Articles.

Attached are those portions of the Bylaws proposed to be changed. Language with a redline through the words reflects a deletion of that language from the Bylaws and Articles. Words underlined in red are intended to be additions to the Bylaws and Articles.

Board resolution

Your Board of Directors request and urge you to vote for, to approve and to adopt the following Resolution:

RESOLUTION 24-05-09 FOR THE ADOPTION OF PROPOSED AMENDED BYLAWS AND ARTICLES

Whereas, the Board of Directors have determined that the existing Bylaws and Articles of the FEDERATED RURAL ELECTRIC ASSOCIATION need to be clarified to allow Federated Broadband and other cooperative services to be operated on the cooperative basis and that the proposed changes are in the best interest of the Members of this Association; and,

Whereas, the Board of Directors have caused the Bylaws and Articles to be reviewed and revised according to current tax code, Minnesota law and present accounting practices; and,

Whereas, after careful review and consideration, the Board of Directors adopted the resolution herein to amend the Bylaws and Articles as herein after set forth and to present said amended Bylaws and Articles for consideration by the members at the Annual Meeting to be held on August 1, 2024.

RESOLVED, the Board of Directors hereby recommend the members to amend the Bylaws and Articles attached hereto, by deleting the language with a line through the words and adding the language of the words underlined; and, further direct that the proposed amendments to said Bylaws and Articles be presented to the members at the Annual Meeting of the members on August 1, 2024, for adoption.

Dated: May 30, 2024

— *Darvin Voss, Federated secretary*

BYLAWS ARTICLE I. MEMBERS

Section 1.01. Eligibility. Any natural person, firm, association, corporation, company, business trust, partnership, federal agency, state or political subdivision or agency thereof, or body politic (each hereinafter referred to as "person," "applicant," or "member") shall be eligible to become a member of this Association by taking delivery of electric energy and to receive electric service and other services from the Association at one or more premises owned, occupied, or used by applicant; but no person shall hold more than one membership in the Association.

Section 1.02. Membership approval.

One who regularly purchases electric energyservice furnished by this Association (the "applicant") becomes a member of this Association [i] when the applicant has paid any fees required by the Association, [ii] when required by the Association, the applicant has executed and delivered to the Association supplemental documentation on such form as is provided by the Association, and [iii] the Board of Directors has approved the applicant's membership in the Association.

ARTICLE VIII. INTEREST ON CAPITAL

CREDITSTOCK

Section 8.01. No interest or dividends shall be paid upon any of the capital credits allocatedstock issued by this Association.

Section 9.02. Patronage Capital in Connection with Furnishing Electric Energy.

In the furnishing of electric energy and other like patronage services (cooperative services.) the Association's operations shall be so conducted that all members will through their patronage furnish capital for the Association. In order to induce member purchasespatronage and to assure that the Association will operate on a nonprofit basis, the Association is obligated to account, on a patronage basis, to all its members for all amounts received and receivable from the furnishing of electric energy and other cooperative services in excess of

— *Continued on Page 3*

Changes outlined to highlighted Bylaws

— Continued from Page 2

operating costs and expenses properly chargeable against the furnishing of electric energy and other cooperative services. All such amounts in excess of operating costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by the members as capital. The Association is obligated to pay by credits to a capital account for each member all such amount in excess of operating costs and expenses. The books and records of the Association shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member, and the Association shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to the member's account. All such amounts credited to the capital account of the member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so and the member had then furnished the Association corresponding amounts for capital. The Board of Directors shall determine the method and basis for such allocations of capital and shall have the power to adopt rules providing for the separate allocation of margins from electric services, power supplier allocations, and other cooperative services. A "Cooperative Service" is a like kind good or service provided by the cooperative, as determined by the Cooperative's Board of Directors.

The Board of Directors may, by policy, identify the types and nature of all income, other than from the furnishing of electricity and other cooperative services (hereinafter "non-operating income"), to be used as a basis for allocation of capital credits to members. Insofar as permitted by law, all net non-operating income shall be used to offset any losses incurred during the current or any prior fiscal year. Any net non-operating income not needed for that purpose, at the board's discretion, [a] may be allocated, in whole or in part, to members on a member patronage basis, or [b] may be retained, in whole or in part, by the Association as unallocated capital in a reserve account. Capital allocated to members from net non-operating income shall be retired at the discretion and direction of the Board as to timing, method and type of retirement, which may include retirement on a cycle basis different than retirement of capital relative to the furnishing of electric

energy or other cooperative services. In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors shall determine that the financial condition of the Association will not be impaired thereby, the capital then credited to members' accounts may be retired in full or in part.

The Board of Directors shall determine the method, basis, priority, and order of making such retirements. The Board of Directors shall have the power to adopt rules providing for the separate retirement accounts of electric energy allocations, power supplier allocations, and other cooperative services allocations to be apportioned that portion ("power supply portion") of to the members' capital credited to the accounts of members, which corresponds to capital credited to the account of the Association by an organization furnishing electric service to the Association. Such rules shall:

- (a) establish a method for determining the power supply portion allocation of capital credited to each member for each applicable fiscal year,
- (b) provide for separate identification on the Association's books of the electric energy, power supply portion allocations, and other cooperative services portion of capital credited to the Association's members,
- (c) provide for appropriate notifications to members with respect to the power supply portion of the allocation of capital credited to their accounts, and
- (d) preclude a general retirement of the power supplyier portion of capital credited to members for any fiscal year prior to the general retirement of other capital credited to members for the same year or of any capital credited to members for any prior fiscal year unless the Association has received funds from retirement of such power supply capital.

Capital credited to the account of each member shall be assignable only on the books of the Association pursuant to written instruction from the assignor and only to successors in occupancy in all or a part of such patronmember's premises served by the Association unless the Board of

Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these bylaws, the Board of Directors, at its discretion, shall have the power at any time upon the death of any member who was a natural person, if the legal representatives of his 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 to any such member immediately upon such terms and conditions as the Board of Directors, acting under policies of general application and the legal representatives of such member's estate shall agree upon; provided, however, that the financial condition of the Association will not be impaired thereby. No capital credited to the account of any member who is not a natural person shall be eligible for immediate retirement pursuant to this paragraph.

The Association, before retiring any capital credited to any member's account, shall deduct therefrom any amount owing by such member patron to the Association, together with interest thereon at the maximum rate allowed by law in the State of Minnesota or at such lesser rate of interest as determined by the Board of Directors.

The members of the Association, by dealing with the Association, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Association and each member, and both the Association and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of this article shall be called to the attention of each member of the Association by posting in a conspicuous place in the Association's office.

ARTICLE X. UNCLAIMED FUNDS OF MEMBERS

Section 10.01. Any provisions contained herein to the contrary notwithstanding and pursuant to applicable state statutes and in accordance with Minnesota Statutes 308A.711 and 345.39 this Association may distribute any unclaimed property, following the procedures required by statute, to a corporation or organization which is exempt from taxation under Minnesota Statute 290.05 subdivision one or two. Publication shall be deemed sufficient if the Association

— Continued on Page 4

Review board approved amendments to Bylaws

— *Continued from Page 3*

publishes the list in its Association newsletter twice and posts on the Association's website the names of the patronmembers entitled to the property for 180 days. The rights of an owner to unclaimed property shall extinguish upon the disbursement of the property to a tax-exempt organization in accordance with Minnesota law.

Section 13.03. Any alteration, amendment, or repeal of Article XIV or of this sentence of this Article XIII of these bylaws, however, that results - directly or indirectly - in a change in the member approval requirements for acts described in Article XIV must be approved by a two-thirds (2/3) vote of at least one-third (1/3) of the total number of stockholders members of the Association with voting rights.

ARTICLE XIV. DISPOSITION OF PROPERTY AND OTHER SIGNIFICANT ACTS

Section 14.01. No sale, lease, lease-sale, exchange or other disposition of more than twenty-five percent (25%) of the property of the Association shall be authorized except in conformity with the following:

(a) If the Board of Directors looks with favor upon any proposal for such sale, lease, lease-sale, exchange or other disposition, it shall first cause three (3) independent appraisers, expert in such matters, to render their individual opinions as to the value of the property of the Association with respect to such a sale, lease, lease-sale, exchange or other disposition and as to any other terms and conditions which should be considered. The three (3) such appraisers shall be designated by a sitting Resident District Court Judge for the Judicial District in which the Association's headquarters are located. If such judge refuses to make such designations, they shall be made by the Board of Directors.

(b) If the Board then determines that favorable consideration should be given to the initial or any subsequent proposal which has been submitted to it, it shall so notify the members, expressing in detail each of any such proposals, and shall call a special meeting of the members for consideration thereof which meeting shall not be held sooner than ninety (90) days after the giving of such notice to the members: PROVIDED, that consideration thereof by the members may be given at the next annual member meeting if not held sooner than ninety (90) days after the giving of such notice. If a quorum

is present in person or by mail ballot at such meeting, the resolution approving of such disposition shall be adopted if approved by a two-thirds (2/3) vote of at least one-third (1/3) of the total number of stockholders members of the Association with voting rights.

Section 14.04. Other provisions of these bylaws notwithstanding, the following acts shall be authorized only upon the recommendation of the Board of Directors and upon a two-thirds (2/3) vote of at least one-third (1/3) of the total number of stockholders members of the Association with voting rights:

Articles of Incorporation

ARTICLE III. CAPITAL STOCK

~~Section 4. The authorized capital stock of the Association shall be Ten Dollars (\$10.00), which shall consist of ten thousand (10,000) shares of uncertificated shares of common stock of the par value of one-tenth of one cent (1/10¢) each. The shares of capital stock may be issued from time to time and shall be considered as issued and "paid in full" when an applicant's application for membership is approved by the Board of Directors. The Association may also establish and maintain such capital reserve or revolving funds or both as may be provided in the Bylaws.~~

~~Section 2. This Association may commence business whenever twenty percent (20%) of the authorized capital stock has been subscribed and paid in, and the amount of the capital stock outstanding shall at no time be diminished below twenty percent (20%) of the amount of the authorized capital.~~

~~Section 3. The ownership of the capital stock in this Association by any individual stockholder shall not exceed the par value of Thirty Dollars (\$30.00).~~

~~Section 4(a) Class A, voting shares: Class A shares may be issued only to members who regularly purchase electric service from the Association and only Class A stockholders shall be voting members. Shares of stock issued by the Association prior to the authorization of classes of stock shall be Class A shares. Each stockholder of a Class A share shall have only one vote in the affairs of the Association.~~

~~(b) Class B, nonvoting shares: Class B shares may be issued only to members who do not regularly purchase electric service from the Association, but do regularly~~

~~purchase other services from the Association. A Class B share shall carry no voting rights, but shall entitle the holder thereof to attend all meetings of the members of the Association and to be heard on any matter under consideration at such meetings.~~

~~(c) The shares of stock of this Association shall not be transferable, except with the approval and consent of the Board of Directors of this Association.~~

~~Section 15. No interest or dividends shall be paid upon any of the capital stock issued this Association. No interest or dividends shall be paid or payable by the Association on any capital furnished by its members.~~

Section 26: The Association shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patronmembers. No interest or dividends shall be paid or payable by the Association on any capital furnished by its patronmembers in the furnishing of electric energy and other cooperative services. The Association's operations shall be so conducted that all patronmembers will through their patronage furnish capital for the Association. In order to induce patronage and to assure that the Association will operate on a non-profit basis, the Association is obligated to account on a patronage basis to all its patronmembers for all amounts received and receivable from the furnishing of electric energy and other cooperative services in excess of operating costs and expenses properly chargeable against the furnishing of electric energy and other cooperative services. On and after January 1, 1941, aAll such amounts in excess of operating costs and expenses at the moment of receipt by the Association are received with the understanding that they are furnished by the patronmembers as capital. The Association is obligated to pay by credits to a capital account for each patronmember all such amounts in excess of operating costs and expenses. The books and records of the Association shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patronmember is clearly reflected and credited in an appropriate record to the capital account of each patronmember, and the Association shall within a reasonable time after the close of the fiscal year notify each patronmember of the amount of capital so credited to his account. All such amounts credited to the capital account of the patronmember shall have the same status as though

— *Continued on Page 5*

& Articles; cast your vote on these changes

— Continued from Page 4

they had been paid to the patronmember in cash in pursuance of a legal obligation to do so and the patronmember had then furnished the Association corresponding amount for capital.

The Board of Directors may, by policy, identify the types and nature of all income other than from the furnishing of electric energy ity and other cooperative services (hereinafter “non-operating income”) to be used as a basis for allocation of capital credits to members s. patrons. Insofar as permitted by law, all net non-operating income shall be used to offset any losses incurred during the current or any prior fiscal year. Any net non-operating income not needed for that purpose, at the board’s discretion, [a] may be allocated, in whole or in part, to patronmembers on a patronage basis, or [b] may be retained, in whole or in part, by the Association as unallocated capital in a reserve account. Capital allocated to members from net non-operating income shall be retired at the discretion and direction of the Board as to timing, method and type of retirement, which may include retirement on a cycle basis different than retirement of capital relative to the furnishing of electric energy.

In the event of dissolution or liquidation of the Association, after all outstanding indebtedness of the Association shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board of Directors, shall determine that the financial condition of the Association will not be impaired thereby, the capital then credited to members-patrons’ accounts may be retired in full or in part. The Board of Directors shall determine the method, basis, priority, and order of making such retirements. The Board of Directors shall have the power to adopt rules providing for the separate retirement accounts of the at portion (“electric, power supply and other cooperative services portion”) of capital credited to the accounts of patronmembers, which corresponds to capital credited to the account of the Association by an organization furnishing electric service to the Association. Such rules shall

(a) establish a method for determining the allocation power supply portion of capital credited to each patronmember for each applicable fiscal year.

(b) provide for separate identification on the Association’s books of the electric energy, power supply allocation, and other cooperative power supply portion of capital credited to the Association’s patronmembers.

(c) provide for appropriate notifications to patronmembers with respect to the allocation power supply portion of capital credited to their accounts.

(d) preclude a general retirement of the power supply allocation portion of capital credited to patronmembers for any fiscal year prior to the general retirement of other capital credited to patronmembers for the same year or of any capital credited to patronmembers for any prior fiscal year unless the association has received funds from the retirement of such power supply capital.

(e) Capital credited to the account of each patronmember shall be assignable only on the books of the Association pursuant to written instruction from the Assignor and only to successors in occupancy in all or a part of each patronmember’s premises served by the Association unless the Board of Directors, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these articles, the Board of Directors, in its discretion, shall have the power at any time upon the death of any patronmember who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such patronmember be retired prior to the time such capital would otherwise be retired under the provisions of these articles, to retire capital credited to any such patronmember immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patronmember’s estate shall agree upon; provided, however, that the financial condition of the Association will not be impaired thereby. No capital credited to the account of any patronmember who is not a natural person shall be eligible for immediate retirement pursuant to this paragraph.

The patronmembers of the Association, by dealing with the Association, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Association and each patronmember, and both the

Association and the patronmembers are bound by such contract, as fully as though each patronmember had individually signed a separate instrument containing such terms and provisions. The provisions of this article shall be called to the attention of each patronmember of the Association by posting in a conspicuous place in the Association’s office.

ARTICLE VII. MEMBERSHIP

Section 1. Membership in this Association shall be limited to ~~its shareholders and shall be of two (2) classes, “voting” and “nonvoting.”~~ any natural person, firm, association, corporation, company, business trust, partnership, federal agency, state or political subdivision or agency thereof, or body politic (each hereinafter referred to as “person,” “applicant,” or “member”) shall be eligible to become a member of this Association by taking delivery of electric energy from the Association at one or more premises owned, occupied, or used by applicant; but no person shall hold more than one membership in the Association.

~~(a) Voting members shall be those who regularly purchase electric service furnished by this Association and shall be the owners of “Class A” capital stock.~~

~~(b) Nonvoting members shall be those who do not purchase electric service from the Association, but do purchase on a regular basis other services furnished by the Association and shall be the owners of “Class B” capital stock.~~

Section 2. Each member stockholder shall:

~~(a) purchase the minimum amount of electric energy which such stockholder has agreed to purchase from this Association after such electric energy will have become available for use.~~

~~(b)(a) pay all obligations owing to this Association as and when the same become due.~~

~~(e)(b) comply with such rules and regulations as may be adopted by the Board of Directors of this Association.~~

Section 3. The bylaws of this Association may define and fix the duties and responsibilities of the members stockholders, officers and directors and may also contain any other provision for the regulation of the business and affairs of this Association not inconsistent with these Articles of Incorporation as amended or the laws of the State of Minnesota. (c)