

Federated Rural Electric Association Jackson, MN

Articles of Incorporation and Bylaws

Amended
August 5, 2020

Statement of Nondiscrimination

This institution is an equal opportunity provider and employer.

If you wish to file a Civil Rights complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Center for Civil Rights Enforcement, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7742 or e-mail program.intake@usda.gov.

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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 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 service 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.

Section 1.03. Acceptance. Upon complying with the requirements set forth in this and the next following section, any applicant shall by board resolution be accepted into membership in the Association, unless the Board of Directors shall determine that the applicant is not willing or is not able to satisfy and abide by the Association's terms and conditions of membership or that such application should be rejected for other good cause. Any person whose application, for 60 days or longer, has been submitted to but not approved by the Board of Directors may, by filing a written request therefor with the Association at least 30 days prior to the next meeting of the members, have the applicant's application submitted to and approved or disapproved by the vote of the members at such meeting, at which the applicant shall be entitled to be present and be heard.

Section 1.04. Fees. Except as otherwise provided in these Bylaws or by the Board of Directors, an applicant for membership in the Association shall pay to the Association [i] dues, assessments, fees, deposits, contributions, and other amounts required by the Association; and [ii] outstanding amounts owed to the Association by the Applicant.

Section 1.05. Obligations. The member agrees and is obligated as follows:

(a) to purchase from the Association electric energy used on the premises specified in the member's application for membership or request for service after such electric energy will have become available for use. The Association cannot and does not guarantee a continuous and uninterrupted supply of electric energy to the member and may limit the amount of electric energy which the Association shall be required to furnish to any one member.

(b) to pay all obligations owing to this Association as and when the same become due, including, without limitation, any service security deposits, initiation fees, service connection deposits or fees, facilities extension deposits, or contributions in aid of construction that may be required by the Association and all electric energy purchased from the Association according to rate schedules established from time to time by the Board of Directors. When a member has more than one service connection from the Association, any payment by the member for services from the Association shall be deemed to be allocated and credited to the member's outstanding accounts for all such service connections, notwithstanding that the Association's actual accounting procedures do not reflect such allocation.

(c) to execute and deliver to the Association, when requested to do so by the Association, grants of easement or right-of-way over, on and under such lands owned or leased by or mortgaged to the member, and in accordance with such reasonable terms and conditions, as the Association shall require for the furnishing of electric service to the member or other members or for the construction, operation, maintenance or relocation of the Association's electric facilities.

(d) to voluntarily participate in any program that may be established by the Association to enhance load management, to more efficiently utilize or conserve electric energy, or to conduct load research.

(e) to comply with such rules and regulations as may from time to time be adopted by the Board of Directors of the Association.

Section 1.06. Joint Memberships. Any two or more natural persons, by specifically so requesting in writing, may be accepted into membership as joint tenants, or, if one of them is already a member, may automatically convert such membership into a membership in joint tenancy. All provisions relating to the rights, power, terms, conditions, obligations, responsibilities, and liabilities of membership shall apply equally, severally and jointly to each natural person holding a joint membership. Without limiting the generality of the foregoing;

(a) the presence of any joint tenant member at a meeting shall constitute the presence of that membership and a joint waiver of notice of the meeting;

(b) the vote of one or more joint tenants shall constitute one joint vote;

(c) notice to, or waiver of notice signed by, any one joint member shall constitute a joint notice or waiver of notice for that joint membership;

(d) suspension or termination in any manner of one joint tenant shall constitute suspension or termination of the joint membership;

(e) only one joint tenant representing a joint tenancy membership shall be eligible to serve as director of the Association, but only if all other joint tenants of that joint membership otherwise meet the qualifications of directorship; and

(f) no joint tenant will be permitted to have any additional service connections except through the members one joint membership.

Section 1.07. Withdrawal of Membership. Any member may withdraw from membership upon payment in full of all liabilities of such member to the Association and upon compliance with such terms and conditions as the Board of Directors may prescribe.

Section 1.08. Transfer and Termination of Membership. Membership in the Association shall be recorded and established in the books and records of this Association and shall be transferable only with the approval and consent of the Board of Directors except as hereinafter otherwise provided. Upon the death, cessation of existence, or withdrawal of a member, the membership of such member shall thereupon terminate. Termination of membership in any manner shall not release the member from the debts or liabilities of such member to the Association.

When a membership is held in joint tenancy, upon the death of any joint tenant, such membership shall be deemed to be held by the survivor or survivors with the same effects as though such membership had been originally issued to the survivor or survivors, as the case may be and any joint membership shall be in the name of such survivor and or survivors: provided the estate of the deceased joint tenant shall not be released from any membership debts or liabilities to the Association. Upon the legal separation or termination of the marriage relationship of a husband and wife owning a membership as joint tenants, such membership shall continue to be held solely by the one who continues directly to occupy or use the premises covered by such membership in the same manner and to the same effect as though such membership had never been joint provided the other spouse shall not be released from any debts due the Association.

Section 1.09. Removal of Directors and Officers. The members shall have the power to remove any director or officer for cause. Any member may bring charges against an officer or director by filing such charges in writing with the Secretary together with a petition signed by not less than twenty percent (20%) of the total membership of the Association, requesting removal of the officer or director in question. The petition shall be signed by each member in the same name as the member is billed by the Association and shall state the signatory's address as the same appears on such billings. Such charges must be filed at least twenty-five (25) days before an annual meeting and in the manner prescribed by law for a special meeting.

(a) The Secretary shall immediately inform the officer or director against whom such charges have been brought in writing of such charges. At the meeting at which the charges are to be heard and acted upon, such officer or director shall have the right to counsel, to be heard in person or by witnesses or counsel or any combination of such, and to present evidence in respect of the charges; and the member or members bringing such charges shall have the same rights, but must be heard first.

(b) The question of the removal of such officer or director shall be considered and voted upon at such meeting, and any vacancy created by such removal shall be filled as provided in Section 3.06 herein.

ARTICLE II. MEETINGS OF MEMBERS

Section 2.01. Annual Meeting. The annual meeting of the members shall be held on such date and at such time and place as may be designated by the Board of Directors, for purposes of electing directors and nominating committee members, passing on reports covering the previous fiscal year, and transacting such other business as may properly come before the meeting. The Board of Directors shall determine who shall serve as chair at the annual meeting and at all other meetings of the members.

Section 2.02. Notice of Annual Meeting. Notice of the annual meeting shall be given by the Secretary in a manner now or hereafter prescribed by law.

Section 2.03. Special Meetings. Special meetings of the members may be called by a majority vote of the directors or upon a written petition signed by at least twenty percent (20%) of the voting members, and it shall thereupon be the duty of the President of this Association to cause notice of such meeting to be given by the Secretary.

Section 2.04. Notice of Special Meetings. Notice of the time, place and purpose of a special meeting shall be given in a manner prescribed by law. Such notice shall be issued within ten (10) days from and after the date of the presentation of the petition mentioned in Section 2.03 to the Board of Directors and such special meeting shall be held within thirty (30) days from and after the date of the presentation of such petition.

Section 2.05. Failure to Receive Notice. The failure of any member to receive any notice of an annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such annual or special meeting.

Section 2.06. Quorum. At least ten percent (10%) of the total number of the voting members of this Association present in person, or represented by timely submitted written ballot, electronic ballot or by written proxy or by members participating in a virtual meeting, providing the members are able to directly participate and be identified, shall constitute a quorum for the transaction of business at all meetings of the members so long as the total number of members does not exceed five hundred (500). If the total number of voting members of this Association exceeds five hundred (500), not less than fifty (50) voting members present in person, or represented by timely submitted written ballot, electronic ballot, written proxy or by members participating in a virtual meeting, providing the members

are able to directly participate and be identified, shall constitute a quorum for the transaction of business at all meetings of the members.

Section 2.07. Establishment of Quorum. The attendance of a sufficient number of voting members to constitute a quorum at any meeting of the members shall be established by a register which records all of the voting members present at such meeting, or represented by timely submitted written ballot, electronic ballot, written proxy or by members participating in a virtual meeting, providing the member is able to directly participate and be identified, and shall be verified by the President and Secretary of this Association. Such registration shall be reported in the minutes of such meeting. No action at any meeting of the members shall be valid and legal unless a quorum is present at the meeting and at the time such action may be taken. If the Board of Directors determine that special circumstances exist that would make the gathering of members, at a members meeting, a danger to the members, then, by a unanimous vote of the Board of Directors, a members meeting may be called and held and a quorum established by members participating in a virtual meeting, providing the member is able to directly participate and be identified, by written ballots or electronic ballots, timely received and registered, on all matters properly presented to the members in the Notice of Meeting.

Section 2.08. Voting. Each voting member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum is present, all matters submitted to a vote shall be decided by a vote of a majority of the members voting thereon at such meeting, except as otherwise provided by law, the Articles of Incorporation of the Association, or these bylaws. Whenever a vote of the voting members of the Association is required or provided for on any matter, the spouse of the voting member may vote on behalf of the member unless the member has indicated otherwise to the Association. Voting by voting members shall be allowed upon presentation to the Association, prior to or upon registration at each member meeting, of satisfactory evidence entitling the person presenting the same to vote.

Section 2.09. Mail Voting. When authorized by the Board of Directors any voting member who will be absent from any annual or special meeting of the members may vote by mail, upon any election, motion, resolution, or amendment to be acted upon at such meeting. The ballot shall be in the form prescribed by the Board of Directors of the Association; shall contain the exact text of the proposed election, motion, resolution or amendment to be acted upon at such meeting and the date of the meeting; and shall also contain spaces opposite the text of such election, motion, resolution or amendment in which such member may indicate his affirmative or negative vote thereon. The member shall express his choice by marking an "x" in the appropriate space upon such ballot. The ballot shall be placed in the ballot envelope which shall not identify the member and which shall be placed in a mailing envelope which shall be signed by the member and mailed or delivered to the Association. If the ballot is received by the Association before the close of business on the day immediately preceding the meeting at which said election, motion, resolution, or amendment is to be acted upon, the ballot shall be accepted and counted as the vote of the member.

Section 2.10. Voting List. The Secretary of the Association shall make, at least fifteen (15) days before each meeting of the members, a complete list, arranged in alphabetical order, of the names of the members entitled to vote at such meeting and their addresses. Such list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting.

Section 2.11. Agenda and Action at Member Meetings. Except as otherwise provided in these Bylaws, before or at an annual, regular, or special meeting of the members, the Board of Directors shall determine the agenda, program, or order of business for the member meeting.

ARTICLE III. DIRECTORS

Section 3.01. General Powers. The business and affairs of the Association shall be managed by a board of seven (7) directors, which shall exercise all of the powers of the Association except as otherwise provided by law, by the Articles of Incorporation of the Association, or by these bylaws.

Section 3.02. Districts. The territory served by this Association with electric service shall be divided into six (6) districts, composed as follows:

- (a) District 1: LaCrosse, Weimer, Delafield, Alba, West Heron Lake and Heron Lake Townships in Jackson County.
- (b) District 2: Ewington, Rost, Hunter, Round Lake, Sioux Valley, Minneota, and Middletown Townships in Jackson County, Minnesota.
- (c) District 3: Christiania, Kimball, Belmont, Enterprise, Des Moines, and Wisconsin Townships in Jackson County, Minnesota, and Elm Creek, Fox Lake, and Jay Townships in Martin County, Minnesota.
- (d) District 4: Petersburg Township in Jackson County, Minnesota, and Lake Fremont, Lake Belt, and Manyaska Townships in Martin County, Minnesota, excluding the corporate limits of the City of Welcome, Minnesota.
- (e) District 5: Fraser, Rolling Green, Tenhassen and Silver Lake Townships and the City of Welcome in Martin County, Minnesota.
- (f) District 6: Westford, Nashville, Rutland, Center Creek, Fairmont, Pleasant Prairie, and East Chain Townships in Martin County, Minnesota.
- (g) Any territory served by the Association and not included in the above districts shall be considered a part of the district in which the township adjacent to said territory is included.
- (h) Six (6) of the directors of the Association shall be elected to represent one district each, and one director shall be elected at large.

Section 3.03. Qualifications and Tenure. Each director shall be a voting member of the Association and shall be elected by the members at the annual meeting of the members for a 4-year term except as hereinafter provided. Each director representing a district, and the at large director, must be a permanent and year-round resident within the district they represent or, in the case of the director at large, an Association district.

(a) Directors shall, upon their election for 4-year terms and subject to the provisions of these bylaws with respect to removal, serve until December 31 in the last year of their term and after their successors have been elected and shall have qualified.

(b) No member shall be eligible to become or remain a director who is a director, officer, employee or financially interested in a competing enterprise or a neighboring electric distribution utility. When a membership is held in joint tenancy, only one joint tenant of that membership may be elected a director, provided, that no joint tenant shall be eligible to become or remain a director or to hold a position of trust in the Association unless all other joint tenants of that membership meet the qualifications hereinabove set forth.

(c) Notwithstanding the foregoing, the operating or chief executive of any voting member which is not a natural person, or the members designee, shall be eligible to become a director from the district in which such membership is located, if said person or such designee (a) is in substantial permanent occupancy, direction, or use of the premises served by the Association, and (b) is a permanent and year-round resident within or in close proximity to an area served by the Association with electric service, provided that no more than one such person may serve on the Board of Directors at the same time.

Section 3.04. Nominations. A nominating committee of seven (7) voting members (herein called nominators), composed of one voting member from each district and one voting member from at large, who must be a permanent and year-round resident within the district they represent or, in the case of the nominator at large, an Association district. They shall be responsible to recruit and nominate directors, nominators and Trust Board Directors for vacancies in said positions and to make compensation recommendations for said positions to the Board of Directors and members. Nominators shall be elected for four-year terms to serve until their successors are elected at the annual meeting of the members in the year in which their terms expire. Vacancies occurring on the nominating committee shall be filled by a majority vote of the Board of Directors. No nominator may serve successive four-year terms, and no director nor any officer or employee of the Association shall be a member of the nominating committee. Five members of the committee shall constitute a quorum.

(a) At least thirty (30) days prior to the annual meeting, the nominating committee shall prepare and post at the office of the Association a list of directors to be elected and a separate list of nominators to be elected. The committee shall also review and consider the compensation, including insurance benefits, if any, received by directors and officers for service to the Association and recommend to the members at the annual meeting changes, if any, in the fixed sum per diem to be received by directors and officers pursuant to Sections 3.07 and 5.12.

(b) Not less than twenty (20) days prior to the annual meeting, any fifteen (15) members or more all residing in the same district may submit to the Secretary of the Association additional nominations in writing over their signatures for any position to be filled from their district or from at large, listing their nominees in the manner described above for nominations by the nominating committee. All nominees shall be verified by the Association as to eligibility to serve prior to being placed on the ballot. The Secretary shall post the names at the same place where the list of nominations made by the nominating committee is posted.

(c) Ballots for the election of directors and nominators shall be in such form or forms as the nominating committee shall prescribe. The name of any nominee shall not appear on a ballot in any way that gives the nominee an advantage over any other nominee. A ballot marked "Ballot for directors" containing the names of all the nominees and stating the residence of each, and a "Ballot for Nominators" similarly arranged, shall be published at least ten (10) days prior to the annual meeting. A statement of the names and addresses of all nominees for each district from and with respect to which a director or nominator must be elected, showing clearly those nominated by the committee to the date

(d) During a meeting of the members for the election of directors and nominators, nominations from the floor are prohibited.

Section 3.05. Elections. The election of directors and nominators shall be by written or electronic ballot. Each member shall be entitled to cast one vote for each director and nominator to be elected. The candidate for director or nominator in each district receiving the highest number of votes cast shall be elected. In the case of a tie vote, the winner shall be determined by a flip of a coin.

Section 3.06. Vacancies. Subject to the provisions of these bylaws with respect to the removal of directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining directors. A director elected to fill a vacancy shall serve until the next annual or special meeting of the members, at which time a successor shall be regularly elected to fill out the unexpired term.

Section 3.07. Compensation. Directors as such shall not receive any stated salary for their service. However, directors shall, as determined by a resolution of the members, receive on a per diem basis a fixed sum (a) for attending meetings of the Board of Directors and, when such has had prior approval of the Board of Directors, (b) for attending meetings, programs and educational seminars of, or sponsored by, all organizations of which this Association is a member or with which it is otherwise associated and (c) for the performance of other business of the Association. Directors shall also receive advancement or reimbursement of any travel and out-of-pocket expenses actually, necessarily and reasonably incurred in attending such meetings, programs and seminars and performing such business of the Association. The Association at its expense may, pursuant to resolution of the Board of Directors, maintain insurance coverage for the benefit of the directors. Except in emergencies, no director shall receive compensation for serving the Association in any other capacity, nor shall any close relative of a director receive compensation for serving the Association, unless such compensation shall be specifically authorized by a vote of the members.

Section 3.08. Rules, Regulations, Rate Schedules and Contracts. The Board of Directors shall have the power to make, adopt,

amend, abolish and promulgate such rules, regulations, rate schedules, contracts, initiation fees, security deposits, and other types of deposits, payments or charges, including contributions in aid of construction, not inconsistent with law, the Articles of Incorporation of the Association, or these bylaws, as it may deem advisable for the management, administration, and regulation of the business and affairs of the Association.

Section 3.09. Accounting System and Reports. The Board of Directors shall cause to be established and maintain a complete accounting system which, among other things, subject to applicable laws and rules and regulations of appropriate regulatory bodies, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. All accounts of the Cooperative shall be examined by a committee of the Board of Directors which shall render reports to the Board of Directors. The Board of Directors shall also after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be submitted to the members at the following annual meeting.

Section 3.10. Removal. Members may remove a director at a special member meeting for cause related to the duties of the position of a director. The Board of Directors may remove a director for cause or if a director misses more than three directors' meetings in any 12 month period.

ARTICLE IV. MEETINGS OF DIRECTORS

Section 4.01. Regular Meetings. A regular meeting of the Board of Directors shall be held monthly and at such time and place as the Board may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof. A regular or special meeting of the Board of Directors may be held virtually, remotely or electronically with the approval of the Board of Directors, providing each director can hear and participate in the meeting. A director may participate remotely, with the approval of the President or the Vice-President of the Board of Directors, providing the director can hear and participate in the meeting.

Section 4.02. Special Meetings. Special meetings of the Board of Directors may be called by the President or any three (3) directors. The person or person authorized to call special meetings of the Board of Directors may fix the time and place for the holding of any special meeting of the Board of Directors called by them.

Section 4.03. Notice. Notice of the time, place and purpose of any special meeting shall be given at least two (2) days previous thereto by notice, delivered personally, electronically or mailed, to each director at the Director's last known address. If mailed, such notice shall be deemed to be delivered when deposited in United States mail in a sealed wrapper so addressed, with postage prepaid thereon. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except in case a director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

Section 4.04. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that if less than a majority of the directors shall be present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 4.05. Manner of Action. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

ARTICLE V. OFFICERS

Section 5.01. Board Officers. The officers of the Association shall be President, Vice President, Secretary, Treasurer and such other officers as may be determined by the Board of Directors from time to time. The offices of Secretary and Treasurer may be held by the same person.

Section 5.02. Election and Term of Office. The officers shall be elected annually, by and from the Board of Directors at the first meeting of the Board of Directors held in December of each year. Each officer shall hold office until the first meeting in December of the Board of Directors following the annual meeting of the members or until the successor shall have been duly elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of officers.

Section 5.03 Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

Section 5.04. Vacancies. Except as otherwise provided in these bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

Section 5.05. President. The President shall:

(a) be the principal officer of the Association and shall preside at all meetings of the Board of Directors and, unless otherwise determined by the Board of Directors, at all meetings of the members;

(b) may sign any deed, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board of Directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or

by these bylaws to some other officer or agent of the Association or shall be required by law to be otherwise signed or executed; and

(c) in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.06. Vice-President. In the absence of the President, or in the event of the President's inability or refusal to act, the Vice-President shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President and shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

Section 5.07. Secretary. The Secretary shall be responsible for:

(a) keeping the minutes of the meetings of the members and of the board in books provided for that purpose;

(b) seeing that all notices are duly given in accordance with these bylaws or as required by law;

(c) the safekeeping of the corporate books and records and the seal of the Association and to all documents the execution of which on behalf of the Association under its seal is duly authorized in accordance with the provisions of these bylaws;

(d) keeping a register of the names and post office addresses of all members;

(e) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Association containing all amendments thereto (which copy shall be open to the inspection of any member during regular business hours) and at the expense of the Association, furnishing a copy of the bylaws and of all amendments thereto to any member upon request; and

(f) in general performing all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board.

Section 5.08. Treasurer. The Treasurer shall be responsible for:

(a) custody of all funds and securities of the Association;

(b) the receipt of and the issuance of receipts for all monies due and payable to the Association and for the deposit of all such monies in the name of the Association in such bank or banks as shall be selected in accordance with the provisions of these bylaws; and

(c) the general performance of all the duties incident to the office of Treasurer and such other duties from time to time as may be assigned to him by the Board.

Section 5.09. Delegation of Responsibilities. Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer hereinbefore provided, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's such duties to one or more agents, other officers or employees of the Association who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer as such shall be released from such duties, responsibilities and authorities.

Section 5.10. Manager. The Board of Directors may appoint a manager who shall actively supervise all of the ordinary business of this Association and shall employ and discharge all other employees of this Association and shall perform such duties as the Board of Directors may from time to time require of the Manager.

Section 5.11. Bonds of Officers. The Board of Directors shall require the Treasurer or any other officer of this Association charged with responsibility for the custody of any of its funds or property to give bond for the faithful discharge of their duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of this Association to give such bonds in such amounts, with such surety or sureties, and containing such terms and conditions as it shall determine.

Section 5.12. Compensation: Indemnification. The compensation, if any, of the officers of the Association shall be fixed from time to time by the members, and no officer shall be prevented from receiving such salary by reason of the fact that they are also a director of this Association. The compensation, duties and terms of employment of the manager and all other employees of this Association shall be fixed and determined by the Board of Directors. The Association shall indemnify present and former directors, officers, members and agents against actual expenses necessarily incurred in defense of any proceeding in which they are a party because they are or were such director, officer, or agent to the fullest extent that such directors, officers, managers and agents of this Association may be indemnified under the laws of this State. The Association may purchase insurance to cover such indemnification.

Section 5.13. Reports. The officers of this Association shall submit at each annual meeting of the members reports covering the business of this Association for the previous fiscal year and showing the condition of this Association at the close of such fiscal year.

ARTICLE VI. CONTRACTS, CHECKS AND DEPOSITS

Section 6.01. Contracts. Except as provided by law or these bylaws, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of this Association, and such authority may be general or confined to specific instances.

Section 6.02. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents, employee or employees of the Association and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 6.03. Deposits. All funds of this Association shall be deposited or invested from time to time to the credit of this Association in such bank or banks or in such financial securities or institutions as the Board of Directors may select.

ARTICLE VII. MEMBERSHIP

Section 7.01. Membership. Membership in the Association shall be evidenced in the books and records of the Association by a Membership Record as the Board of Directors deems appropriate.

Section 7.02. Closing of Books. The Board of Directors of this Association may close its membership transfer records for a period not to exceed fifteen (15) days prior to any meeting of the members or for a period not exceeding ten (10) days prior to the date for the payment of any capital to be retired pursuant to Section 9.02.

ARTICLE VIII. INTEREST ON CAPITAL STOCK

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

ARTICLE IX. NON-PROFIT OPERATION

Section 9.01. Interest or Dividends on Capital Prohibited. The Association shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its members. No interest or dividends shall be paid or payable by the Association on any capital furnished by its members.

Section 9.02. Patronage Capital in Connection with Furnishing Electric Energy. In the furnishing of electric energy, the Association's operations shall be so conducted that all members 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 members for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. 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 may, by policy, identify the types and nature of all income, other than from the furnishing of electricity (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 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' 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 of that portion ("power supply portion") of 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 of capital credited to each member for each applicable fiscal year,
- (b) provide for separate identification on the Association's books of the power supply portion of capital credited to the Association's members,
- (c) provide for appropriate notifications to members with respect to the power supply portion of capital credited to their accounts, and
- (d) preclude a general retirement of the power supply 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 credit 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 patron'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 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 publishes the list in its Association newsletter twice and posts on the Association's website the names of the patrons 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.

ARTICLE XI. FISCAL YEAR

Section 11.01. The fiscal year of this Association shall begin on the first day of January in each year and end on the thirty-first day of December of each year.

ARTICLE XII. SEAL

Section 12.01. The corporate seal of this Association shall be in the form of a circle and shall have inscribed thereon the name of this Association and the words "Corporate Seal, Minnesota."

ARTICLE XIII. AMENDMENTS

Section 13.01. Except as otherwise provided herein, these bylaws may be altered, amended or repealed by the members of the Association at any regular or special meeting at which a quorum is registered as being present or represented, if approved by a majority of the votes cast. The Board of Directors must pass a resolution stating the text of the proposed amendment.

Section 13.02. The notice of the meeting shall contain the text of any proposed alteration, amendment, or repeal to be considered at the meeting.

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 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 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 of Directors, after receiving such appraisals (and other terms and conditions which are recommended, if any), determines that the proposal should be submitted for consideration by the members, it shall first give every other electric cooperative association corporately sited and operating in the state (which has not made such an offer for such sale, lease, lease-sale, exchange or other disposition) an opportunity to submit competing proposals. Such opportunity shall be in the form of a written notice to such electric cooperative associations, which notice shall be attached to a copy of the proposal which the Association has already received and a copy of the report(s) of the three (3) appraisers. Such rural electric cooperative associations shall be given not less than thirty (30)

days during which to submit competing proposals, and the actual minimum period within which proposals are to be submitted shall be stated in the written notice given to them.

(c) 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 of the Association with voting rights.

(d) And fifty (50) or more members, by so petitioning the Board not less than thirty (30) days prior to the date of such special or annual meeting, may cause the Association, with the cost to be borne by the Association, to mail to all members any opposing or alternative positions which they may have to the proposals that have been submitted or any recommendations that the Board has made.

Section 14.02. The provisions of Section 14.01 shall not apply to a sale, lease, lease-sale, exchange or other dispositions to one or more other rural electric cooperative associations if the substantive effect thereof is to merge or consolidate with such other one or more rural electric cooperative associations.

Section 14.03. Member approval requirements for the merger or consolidation of the Association with one or more rural electric cooperative associations shall be governed by the laws of the State of Minnesota.

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 of the Association with voting rights:

(a) any merger with or consolidation into another entity that is not a rural electric cooperative association within the meaning of the Rural Electrification Act of 1936;

(b) dissolution of the Association; or

(c) any repeal, amendment, or alteration of this Article that would result in a change in the member approval requirements for acts described herein.

END OF BYLAWS

Articles of Incorporation of Federated Rural Electric Association (Amended to August 5, 2020)

ARTICLE I. NAME, PURPOSE, PLACE

Section 1. The name of this Association shall be Federated Rural 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; to transmit, distribute, furnish, sell, and dispose of such electric energy to its members; to operate, conduct, and promote any other business or enterprise; to provide, sell, lease, distribute, or dispose of any other service or product, to the extent permitted by law and determined by the Board of Directors to be in the best interests of the Association; and to construct, erect, purchase, lease, and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease, exchange or 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 purposes.

(b) to assist its members to wire their premises and install therein electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character and, in connection therewith and for such purposes, to purchase, acquire, lease, sell, distribute, install and repair electrical and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character and to receive, acquire, endorse, pledge, hypothecate and dispose of notes and other evidences of indebtedness.

(c) 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.

(d) to purchase, receive, lease as lessee, 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.

(e) to borrow money and otherwise contract indebtedness for the purposes, or any of them, for which this Association is formed, and to issue 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.

(f) to sell and convey, mortgage, pledge, lease as lessor and otherwise dispose of all or any part of its property and assets.

(g) 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 proposes, 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 of 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 principal place of transacting the business of this Association shall be in the City of Jackson, in the County of Jackson, and the State of Minnesota.

ARTICLE II. PERIOD

The period of duration of this Association shall be perpetual.

ARTICLE III. CAPITAL STOCK

Section 1. 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. 5. No interest or dividends shall be paid upon any of the capital stock issued this Association.

Section 6. The Association shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Association on any capital furnished by its patrons.

In the furnishing of electric energy the Association's operations shall be so conducted that all patrons 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 patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. On and after January 1, 1941, 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 patrons as capital. The Association is obligated to pay by credits to a capital account for each patron 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 patron is clearly reflected and credited in an appropriate record to the capital account of each patron, and the Association shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so credited to his account. All such amounts credited to the capital account of the patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron 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 electricity (hereinafter "non-operating income") to be used as a basis for allocation of capital credits to member 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 patrons 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 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 of that portion ("power supply portion") of capital credited to the accounts of patrons 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 of capital credited to each patron for each applicable fiscal year.

(b) provide for separate identification on the Association's books of the power supply portion of capital credited to the Association's patrons.

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

(d) preclude a general retirement of the power supply portion of capital credited to patrons for any fiscal year prior to the general retirement of other capital credited to patrons for the same year or of any capital credited to patrons for any prior fiscal year.

(e) Capital credited to the account of each patron 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 patron'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 patron who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such patron 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 patron immediately upon such terms and conditions as the Board of Directors, acting under policies of general application, and the legal representatives of such patron'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 patron who is not a natural person shall be eligible for immediate retirement pursuant to this paragraph.

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

ARTICLE IV. INDEBTEDNESS

The highest amount of indebtedness to which this Association shall at any time be subject shall be fixed and may be modified by action of the Board of Directors from time to time.

ARTICLE V. INCORPORATORS

The names and residences of the persons forming this cooperative Association are as follows, to-wit:

<u>Names</u>	<u>Residences</u>
1. John A. Ingebrigtsen	Alpha, Minnesota
2. George M. Moore	Jackson, Minnesota
3. H.H. Lundahl	Jackson, Minnesota
4. George H. Comstock	Jackson, Minnesota
5. L.G. Muzikar	Lakefield, Minnesota
6. S. Benj. Mayo	Sherburn, Minnesota

ARTICLE VI. GOVERNMENT

Section 1. 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 seven (7) 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 to be held on such date and at such time and place as may be designated by the Board of Directors.

Section 2. The names and places of residence of the first Board of Directors, who shall hold office until the first annual meeting of the stockholders and until their successors are elected and have qualified, are as follows:

<u>Names</u>	<u>Residences</u>
1. John A. Ingebrigtsen	Alpha, Minnesota
2. George M. Moore	Jackson, Minnesota
3. P.L. Ferguson	Jackson, Minnesota
4. H.H. Lundahl	Jackson, Minnesota
5. George H. Comstock	Jackson, Minnesota
6. L.G. Muzikar	Lakefield, Minnesota
7. S. Benj. Mayo	Sherburn, Minnesota

Section 3. The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with these Articles of Incorporation or the Bylaws of this 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.

Section 4. To the fullest extent permitted by laws governing cooperative associations, as the same exists or may hereafter be amended, a director of this Association shall not be personally liable to the Association or its members for monetary damages for breach of fiduciary duty as a director.

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."

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

(c) 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 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.

ARTICLE VIII. FISCAL YEAR

The fiscal year of this Association shall begin on the first day of January in each year and end on the thirty-first day of December of each year.

ARTICLE IX. AMENDMENTS

This Association reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by law.

**END OF
ARTICLES OF INCORPORATION**