

FREEBORN-MOWER COOPERATIVE SERVICES

Albert Lea, Minnesota

ANNUAL MEETING MINUTES

March 30, 2019

The 82nd Annual Meeting of the members of Freeborn-Mower Cooperative Services (FMCS) was held at the Albert Lea High School, Albert Lea, MN on Saturday morning, March 30, 2019. FMCS members gathered to enjoy a delicious breakfast and hear a recap of operations and milestones achieved during 2018.

Registration began at 8:00 a.m. with a complimentary breakfast served until 10:00 a.m. There were approximately 600 in attendance, 255 who were registered as voting members. Members present circulated through the different booths where employees answered questions and explained programs that add value to their membership. Bingo was played in the auditorium prior to the business meeting.

The Albert Lea American Legion Post 56 Honor Guard posted the colors. This meeting was called to order at 10:00 am by Board Chairman, Roger Weness. Guests present were acknowledged as were the Board of Directors currently serving and Steve Hovey, representing Hoversten Johnson Beckmann & Hovey. Member-owner, Pastor Sean Forde of Albert Lea First Lutheran Church offered the Invocation. Susie Peterson, Executive Director at the Albert Lea Convention and Visitor's Bureau gave a welcome to the City of Albert Lea.

Secretary of the Board, Burt Magnuson, reported that registrations had been checked and declared a quorum present. He further read the Proof of Mailing Notice of Annual Meeting which indicated the notices had been mailed from LaCrosse, WI to all members on February 27, 2019. A motion was made and carried that the reading of the minutes of the April 7, 2018 meeting be dispensed with in that the minutes were printed in our Annual Report.

President & CEO Jim Krueger covered a variety of topics in his presentation entitled "Charging Forward".

Along with providing an overview of the 2018 statistics, activities and achievements, Krueger commended the reason why electric cooperatives hold annual meetings. As a member-owned and member-controlled cooperative, we gather to review the prior year, our challenges and achievements, and discuss what we see on the horizon for our cooperative and industry.

A closer look at the financial highlights showed:

1. Purchased power makes up 72% of the monthly electric bill.
2. 25% of the bill accounts for the expenses to run the co-op.
3. Total assets increased by just over \$2.5 million.
4. Revenues increased by slightly more than \$2 million with expenses increasing by \$2.5 million.
5. Other income dropped by \$600,000 due mostly to decrease allocations from our power supplier.

All that resulted in a net margin that was \$1 million less than the prior year, but still provided an adequate margin. 2018 saw some rate changes to our former Alliant customers. Those rates were adjusted, on average, by about 5%. We will again make a small adjustment to those rates in 2019 with an anticipated change of about 1.5%.

In October 2018, a total of \$769,594 in capital credits was retired to our members and former members. This marks the 52nd consecutive year of returning capital credits to our members.

The major projects completed in the 2018 work plan were reviewed and an upcoming \$4 million-dollar investment in a new substation was unveiled.

Krueger's report also mentioned the technology enhancements that are being implemented by the cooperative, energy programs currently offered and the importance of community engagement.

The report concluded with a update on our current headquarters' facility and the need to move forward with detailed project plans for a new building.

Chairman Weness called for any old business to be brought before this meeting. There being none, he called for any new business. There were no topics brought forth for discussion.

Congratulations to re-elected Districts 2, 5 and 8 board members, Burton Magnuson, Frank Fryer and Bill Trygstad. All were seated during the annual meeting.

FMCS awarded 20 - \$100 cash prizes as well as door prizes donated by Heartland Security.

A motion was made, seconded and carried to adjourn the business meeting at 10:48 a.m.

Burt Magnuson, Secretary