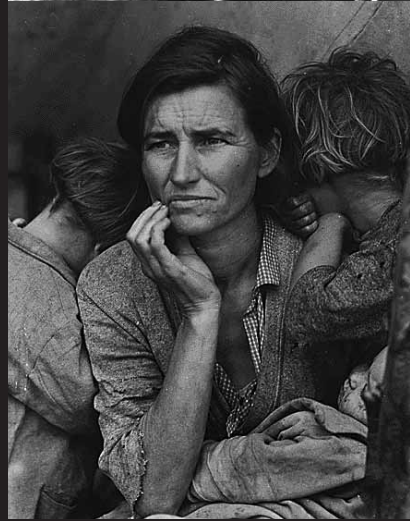




Celebrating **75**
1936-2011 *Years*



**2010
ANNUAL
REPORT**



Hawkeye
REC

The Power Is Yours

**Your Director
Ballot is Enclosed!**



HAWKEYE TRI-COUNTY ELECTRIC COOPERATIVE NOTICE OF ANNUAL MEETING OF MEMBERS

The Annual Meeting of the Members of Hawkeye Tri-County Electric Cooperative will be held at Crestwood High School in Cresco, Iowa at 7:00 p.m. on the 14th day of April, 2011 to take action upon the following matters:

1. The reports of officers, directors, and committees;
2. The election of two directors of the Cooperative to be elected for a term of three years each. (one from Winneshiek District and one from Howard District)
3. All other business which may legally come before the meeting or any adjournment or adjournments thereof.

You are urged to attend the meeting, hear the reports of the officers, and transact such other business as may come before the meeting.

Dated March 11, 2011

Dennis Ptacek
Dennis Ptacek, Secretary

2011 Nominating Committee

Howard County

Tom Shatek
Chuck Stevenson

Winneshiek County

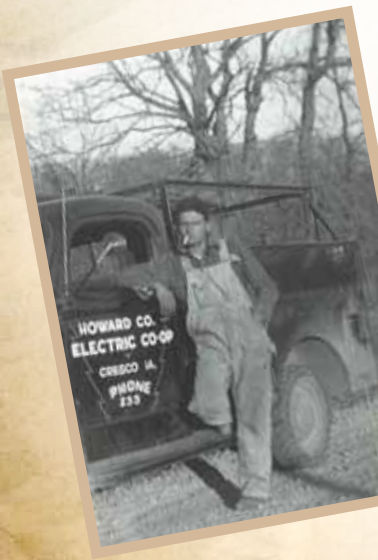
Larry Brincks
Kenneth Ehler

2011 Ballot Committee

Dick & Joyce Jirak, Cresco
Doug & Trudy Nath, Riceville
Bill Seele, Cresco

Thanks to the Nominating and Ballot Committee members for all their help!

Celebrating **75**
1936-2011 *Years*



Message from your CEO & Board President

Celebrating 75 Years

This years' annual meeting for Hawkeye REC is a milestone in our electric cooperative's distinguished history. In 1936, 75 years ago, local residents without the basic living necessity of electricity formed our Cooperative to electrify the countryside. Their mission was simple, to form a "member owned cooperative" that would provide central station electric power to the homes, farms and businesses that were outside the city boundaries where investor-owned utilities felt it was not profitable to invest.

Seventy-five years of successful operations for your electric cooperative is a tremendous accomplishment. Not many businesses have this type of longevity. Today, there remain a few residents of this "great" generation that can remember when their homes received electric service. These stories and memories have been captured through a historic remembrance in a history book specially made on behalf of Hawkeye REC.

While the role of electrifying the countryside has been accomplished, the work of your electric cooperative very much continues. Today we are aggressively replacing our distribution infrastructure – poles, wires, substations – to meet the electrical needs of our members' lifestyles for today and in the future.

Reliable electric service, 24/7, without blinks and interruptions is a core focus of your cooperative today. Hundreds of miles of distribution lines are being rebuilt across Northeast Iowa, at a cost of nearly \$30,000 per mile for single-phase overhead line, to strengthen and improve our system reliability against Mother Nature's seasonal tests.

A critical step in our cooperatives' history for the next 75 years began in the fall of 2010, which was the construction of a state-of-the-art headquarters facility that incorporates the service expectations of our membership into a facility that will serve as the primary tool to facilitate the delivery of these services. This critical piece of infrastructure will provide for the incorporation of technology, such as our new outage management system, to improve the outage restoration process by pinpointing outage locations and aid in diagnosing the cause of an outage by office staff while dispatching our dedicated line crew to the outage call. AVL (auto-vehicle-tracking) will provide your cooperative a proactive safety tool to locate cooperative crews during storms and outages, but will also compliment the outage management system in locating the closest crew to the outage, all of which will be displayed on our electronic map system.

The installation of our 'smart' meters has provided your cooperative with daily kilowatt-hour readings for each of our members' accounts, allowing a more accurate daily energy picture for investigating energy usage and account history. We plan to make this information accessible to our membership in 2011 via our web site at www.hawkeyerec.coop. These smart meters will also be incorporated to provide a 'Time-of-Day' energy pricing option, which is also being investigated in our electric rate design, giving our members another tool to manage your home, farm or business energy costs.

Back in 1936, we can only imagine the challenges and obstacles faced by the people beginning the daunt-

ing task of electrifying the country. Today we also face our share of challenges such as;

- the uncertainty in attaining future financing from the Rural Utilities Services
- uncertainty of the source of our future generation resources -- clean coal, natural gas, solar, wind, biomass, nuclear
- increased regulations from the Environmental Protection Agency (EPA)
- the growing and concerning need for new investments in a national electric transmission network
- the possibilities of repowering our national transportation system to accommodate electric vehicles

Today, just like 1936, we are confident that these mounting challenges will also be overcome through cooperation and our commitment to focus on the needs of the great membership that we serve at Hawkeye REC.

Happy 75th Anniversary and thanks for your continued support of your electric cooperative.



Brian Krambeer
Chief Executive Officer



Dean Fisher
Board President

Candidates for Director – Howard District

(Howard and Mitchell counties)

Dennis Ptacek

10538 175th Street • Elma

Occupation: Farmer

Hawkeye REC Member for: 27 years

Leadership positions held:

- Hawkeye Board Member (15 years)
- Hawkeye Board Secretary/Treasurer (past 10 years)
- HTC Development Corporation (Secretary/Treasurer)
- Director of Our Lady of Lourdes Church
- Lourdes Activity Committee (Chairman)
- Cattleman's Association
- Farm Bureau
- Acre/Fore



What abilities and qualifications do you bring to the board of directors?

I feel as though I am current and up-to-date with the operations of the cooperative. My knowledge and experience from these past years as a board member will help to enhance our cooperative's future. I am involved in director education programs that address board governance, financial decision making, strategic planning, and current and emerging issues. I have been certified by the National Rural Electric Cooperative Association (NRECA) as a Credentialed Cooperative Director (CCD). I am also working on my Board Leadership Certificate (BLC).

What are a few of the important issues you believe the board of directors need to deal with in the future?

As a board member, I feel that it is important to plan appropriately for the rising costs of producing electricity. We must provide reliable, affordable power to our members at a fair cost. We must also make sure that qualified people are in the right positions, have the right tools for their jobs and plan for the future of the co-op.

Why would you like to serve on the board of directors?

I enjoy working on the board of directors and I believe in preserving the cooperative's principles, safeguarding the assets and representing the members in making decisions that are in the best interest of the entire cooperative. I would like to remind the members that I am not just an elected representative, but a member as well.

Additional comments:

I am very committed to meeting your needs today and into the future with your electric cooperative.

Leonard Shatek

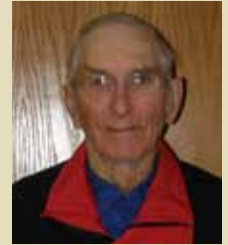
15248 180th Street • Elma

Occupation:

Farming with Sons

Hawkeye REC Member for:

50+ years



Leadership positions held:

- Lourdes Church Council (3 years)
- Board Member of the Elma Grain Elevator Cooperative (6 years)
- Previously Served on Hawkeye REC Board of Directors (17 years)

What abilities and qualifications do you bring to the board of directors?

Along with my farming operation, I have served on different board of directors which gives me experience in different areas.

What are a few of the important issues you believe the board of directors need to deal with in the future?

Keeping expenses and debt down, and addressing the rules and regulations that keep coming from government agencies.

Why would you like to serve on the board of directors?

I have always enjoyed meetings and being a part in the decision making. It makes it interesting and educational.



Candidates for Director – Winneshiek District

(Winneshiek, Allamakee and Fayette counties)

Dean Nierling

2537 County Road A-14 • Decorah

Occupation: Farmer

Hawkeye REC Member for: Life-long Member

Leadership positions held:

- Hawkeye REC Board Member (12 years)
- Mabel Co-op Telephone Board
- North Winneshiek School Board (past)
- Winneshiek DHIA Board (past)
- Township Trustee (past)
- Various Church Boards & Council



What abilities and qualifications do you bring to the board of directors?

I have completed the necessary training from the National Rural Electric Cooperative Association (NRECA) to earn my Credentialed Cooperative Director (CCD) certificate, and have completed some training toward the Board Leadership Certificate. I have also attended several statewide meetings. Having been involved with several coops over the years, I understand the relationship between board and management.

What are a few of the important issues you believe the board of directors need to deal with in the future?

I believe the board must look forward to researching new technology developments and implementing those that improve service and reliability for our members. We will also be forced to deal with generation issues using alternatives other than coal. Getting the power from the generators to the market is also a huge issue.

Why would you like to serve on the board of directors?

I would like to continue serving on the board to further investigate efficiency ideas that our members deserve to keep rates as affordable as possible. Such as, what we are doing now with shared personnel and shared services in several areas which reduce labor costs.

Additional comments:

I would like to thank the members for the opportunity to serve you the past 12 years, and would appreciate serving you three more years. Thank you.



Running Unopposed

Will be elected at the Annual Meeting

Since there is only one (1) candidate from the Winneshiek District, there is no need for the members in that district to complete a written ballot.



75 Years of History.

And Lo



For those who remember life before electricity, the daily drudgery and despair people faced is something that rural families reminisced about for years and years, even after the REA program was established and implemented. Life was not only economically difficult, but also physically demanding for every member of the family. Add to that, no electricity, no lights, no running water, no indoor plumbing. Farm life was hard.

Change was needed and that change came with President Franklin D. Roosevelt's initiative to help rural families become "connected" like the rest of America's urban dwellings. At the time, only ten percent of rural farmsteads had electricity. Investor-owned electric companies did not want to invest in building miles and miles of power lines in the rural areas because there were only a few customers per mile of line and they didn't want that large of an investment with such little return.

It was then that a neighborhood effort of farmers throughout the countryside began. Working together in their local communities they created their own coopera-

tive organizations. Meetings were held and plans were established. Your cooperative was no different. The founders of Howard County Electric Cooperative worked hard to bring power to families here in northeast Iowa. Ask anyone who lived during this time period and they remember FDR's New Deal administration like it was yesterday. Its program forever changed rural America and arguably none had a bigger impact than rural electrification.

Executive Order 7037 creating the Rural Electric Administration (REA) was signed by FDR on May 11, 1935. President Roosevelt stated, "Electricity is a modern necessity of life and ought to be found in every village, home and every farm in every part of the United States."

Between 1936 and 1940, the early leaders of your cooperative canvassed the countryside, telling their friends and neighbors about the opportunity for central-station electric power, and eventually trying to sign up members. Often these progressive thinkers were met with arguments against the idea. Some folks thought it was a great idea but would never be accepted. Others were skeptical about the expense or afraid of the liability. During 1936, meetings were held in Winneshiek, Chicka-

saw and Howard counties, and a Howard County Electric Cooperative was formed. Soon there were plans underway to merge under the new name of Hawkeye Tri-County Electric Cooperative.

On December 21, 1939, the first member's farm was energized and hundreds of others followed in quick succession. Five years later, electric service was extended to 1,577 members along 747 miles of distribution line in the three-county area. The construction of the cooperative's office building near Cresco took place during 1940-1941.

We hope you have a sense of appreciation and gratitude toward everything your electric cooperative has done in the past 75 years to make your life easier. It's easy to forget or take for granted the power of electricity. Next time you see an REC employee, be sure to thank them for being a part of a truly amazing organization. The future is very bright with the help of Hawkeye REC!

Come to the Annual Meeting and get your free copy of the 75th Anniversary Book, *Do You Remember When*. This 96-page, hard-cover book is dedicated to telling the co-op story and has several members' recollections of life before electricity.

REA



Looking to the Future

As we have looked back over our history at Hawkeye REC, we're also looking to the future. Your cooperative has progressed significantly since 1936 and we are prepared to meet your electric service needs for the next 75 years. Things have substantially changed the way electricity is delivered to your home, farm or



business and it's no longer just a matter of power and lights for the farmhouse like it was in the early days. In



today's digital world, it's about providing constant power for TVs, computers and powering our day-to-day-lives. Today, we live in a very different environment and rely very heavily

on electric service twenty-four hours a day, seven days a week.

We're proud to say that Hawkeye REC is doing everything to help ensure that power is always at your fingertips and that we teach our members how to use it more effectively and efficiently. We are deploying state-of-the-art technologies and solutions including an automated meter infrastructure (AMI) system, an outage management system (OMS) which allows us to pinpoint outages and reroute power if needed. We will also be implementing fleet tracking software for safety and faster outage restoration which helps

us control operating costs and improve service reliability. More than 6,300 smart meters have been installed across our system. New technology helps us keep your electric bills affordable and reduces our environmental impact. We have also constructed a new headquarters to continue to serve our members for the next 75 years. Technology is in the forefront of the Board of Directors and management's decisions and strategic planning processes.

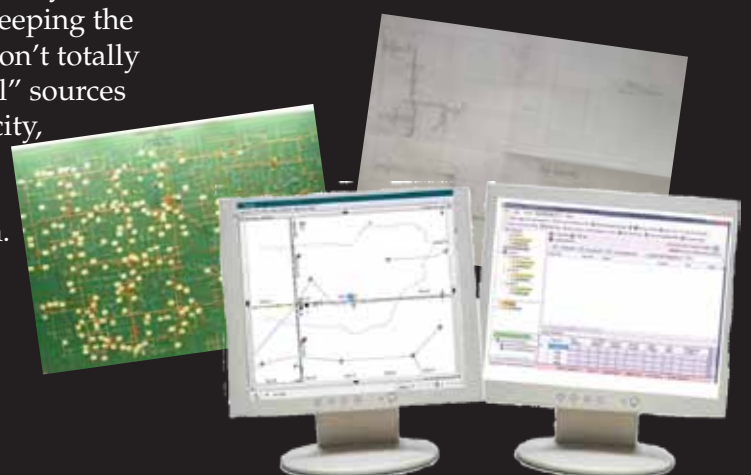
The new headquarters is a tremendous tool and resource for our cooperative to continue providing reliable electric service to our membership implementing state-of-the-art technologies. The new facility is equipped with the latest "green" building practices.

Demand for electricity nationally will increase by 40 percent by the year 2030, according to the U.S. Department of Energy (DOE). We're in the middle of a green revolution in America, with towering wind turbines and bright solar arrays dominating headlines as the future of electric generation. No doubt, those technologies will certainly take on a bigger role in "keeping the lights on" but they won't totally replace "conventional" sources for producing electricity, such as coal, natural gas, and nuclear power, any time soon.

To meet growing demand for electricity, electric co-ops will continue to mix and match generation resources, finding the best way to balance environmental concerns while ensuring delivery of affordable and reliable power.

Consumer-owned electric co-ops have a great story to tell in how we're already tackling each of these ambitious goals. Today co-ops supply electricity produced by wind, solar, hydro, biomass (including landfill gas, livestock waste, timber by-products, and crop residue), and other renewable power sources. Electric co-ops are also recognized as industry leaders in promoting energy efficiency and wise energy use.

Whether it's energy efficiency programs, a smarter grid, innovative technology solutions, or renewable energy investments, we're controlling costs through innovation because we want to be good stewards of the resources you've placed with us. We're continuing to put you, our members, first. And no matter what the future brings, one thing is certain, *We're Looking Out for You!*



BALANCE SHEET

Years Ending 2010 and 2009

ASSETS:

ELECTRIC PLANT

In service	\$40,705,996	\$41,105,427
Under construction	3,567,009	943,566
Total electric plant	44,273,005	42,048,993
Less accumulated depreciation	10,474,076	10,479,277
Electric plant - net	33,798,929	31,569,716

OTHER PROPERTY AND INVESTMENTS

Investments in associated companies	5,360,614	5,051,916
Notes receivable, net of current maturities	1,095,245	1,371,190
Non-utility property, net	1,516,735	1,638,483
Equity Investments	199,622	87,188
Other investments	424,753	378,826
Total other property and investments	8,596,969	8,527,603

CURRENT ASSETS

Cash and cash equivalents	1,353,681	2,927,771
Accounts receivable – net	2,217,005	2,447,555
Accounts receivable – FEMA	315,915	690,910
Current maturities of notes receivable	201,496	290,929
Materials and supplies	1,285,807	1,267,787
Other current assets	262,287	217,655
Total current assets	5,636,191	7,842,607

DEFERRED DEBITS

	13,609	1,559
--	--------	-------

TOTAL ASSETS

	\$48,045,698	\$47,941,485
--	--------------	--------------

EQUITIES AND LIABILITIES:

EQUITIES

Patronage capital	\$ 8,680,738	\$ 9,127,337
Other equities	9,398,284	8,797,621
Total equities	18,079,022	17,924,958

CURRENT LIABILITIES

Current maturities of long-term debt	882,774	798,009
Line of Credit	750,000	0
Accounts payable	2,171,772	2,953,935
Consumer deposits	81,038	481,435
Other current and accrued liabilities	558,386	498,341
Total Current Liabilities	4,443,970	4,731,720

LONG-TERM DEBT, Less Current Maturities

Total long-term debt	23,172,266	23,690,740
-----------------------------	-------------------	-------------------

DEFERRED CREDITS

	2,350,440	1,594,067
--	-----------	-----------

TOTAL EQUITIES AND LIABILITIES

	\$48,045,698	\$47,941,485
--	--------------	--------------

STATEMENT OF REVENUE AND EXPENSE

Years Ending 2010 and 2009

	2010	2009
OPERATING REVENUE	\$20,368,944	\$19,048,490
OPERATING EXPENSE		
Cost of purchased power	12,869,504	11,471,394
Distribution – operations	1,169,205	971,851
Distribution – maintenance	1,160,563	861,766
Consumer account	259,498	280,681
Customer service and informational	424,500	424,853
Administrative and general	1,486,418	1,422,023
Depreciation	1,213,642	1,219,819
Taxes	142,924	132,025
Interest of long-term debt	1,160,741	1,256,348
Other deductions	13,160	32,111
Total operating expense	19,900,155	18,072,871
OPERATING MARGIN BEFORE CAPITAL CREDITS	468,789	975,619
G & T AND OTHER CAPITAL CREDITS/ NON-OPERATING MARGIN	123,075	240,669
NET MARGIN	\$591,864	\$1,216,288

These financial statements represent a condensed version of our audited income statement for the years 2010 and 2009. Reprinting or use of any information in this report is strictly forbidden without permission from the Cooperative.

COMPARATIVE OPERATING STATISTICS

	2010	2009
Number of active members	5,455	5,416
Number of active meters	6,664	6,597
Total miles of line energized	2,224	2,250
Number of substations	16	16
Total kWhs purchased	207,116,181	188,250,535
Total kWhs sold	200,117,223	181,661,113
Total line loss percentage	3.4%	3.5%
Average monthly kWh used per meter	2,502	2,295
Total cost of purchased power	\$12,492,430	\$11,471,394
Average cost per kWh of purchased power	\$0.0603	\$0.0609
Total operating revenue	\$20,368,944	\$19,048,490
Plant investment per meter billed	\$6,108	\$6,231
Deferred patronage dividends refunds to date	\$12,370,825	\$11,894,160

HAWKEYE TRI-COUNTY ELECTRIC COOPERATIVE ANNUAL MEETING MINUTES • April 7, 2010

The Annual Meeting of the Members of Hawkeye Tri-County Electric Cooperative was held at the Crestwood High School in Cresco, Iowa at 7:00 p.m. on the 7th day of April, 2010.

The meeting was called to order by Dean Fisher, President of the Cooperative, who presided, and Dennis Ptacek, Secretary of the Cooperative, acted as Secretary of the meeting and kept the minutes thereof.

President Fisher welcomed the members and special guests in attendance. President Fisher declared that the meeting would be conducted pursuant to "Robert's Rules of Order" and instructed members on the manner to raise questions. The President then introduced Vice President Charles Frana, who led the members in reciting the Pledge of Allegiance and gave the opening invocation.

Vice President Frana then introduced special guests in attendance and thanked them for attending.

President Fisher next introduced the Cooperative's Board of Directors. He also noted the many meetings and activities of the Board during the past year. President Fisher and the members expressed their appreciation to the Board of Directors for their dedication and service to the Cooperative.

The President introduced Hawkeye's Board Secretary Dennis Ptacek. Mr. Ptacek reported that the members present in person had been checked, and that a sufficient number of members were present to constitute a quorum. He also noted that the Notice of the meeting, the Nominating Committee minutes, and the minutes of the 2009 Annual Meeting were either mailed to the Members or printed in the Annual Meeting Booklets. He recommended that the reading of these items be waived and they be accepted as printed. A motion was then made, seconded and carried to waive the reading of these reports and the same were approved as distributed.

The President then introduced Hawkeye's Chief Financial Officer, Peggy Berg. She noted that the report of the Treasurer was contained in the printed program, including the balance sheet and statement of operations. She reviewed and highlighted key items on the Financial Statements, noting that the Cooperative was in good financial condition. She noted that the auditors had conducted an audit and had issued an unqualified opinion on the financial statements on March 31, 2010.

The President then introduced Hawkeye's Corporate Attorney Dennis L. Puckett of Sullivan & Ward, P.C. of Des Moines, Iowa. Mr. Puckett stated that the next order of business was the election of four (4) directors for terms of three (3) years each. Attorney Puckett reviewed the election process and stated that in accordance with the Bylaws, the Board of Directors had appointed from the members of the Cooperative, a Nominating Committee consisting of the following individuals: Richard Ollendieck and Joseph Thraenert of Howard County; David Balk and James Shatek of Chickasaw County; and Dean Darling and Matt Herold of Winneshiek County. Attorney Puckett presented the report of the Nominating Committee as follows:

THREE YEAR TERM

(Three to be Elected)

HOWARD COUNTY:

Janelle Mahr Darla Rance

WINNESHIEK COUNTY:

Norman Dickman Dennis Young
John Hackman Vicky L. Hinsenbrock
Carl Homstad Patrick T. O'Regan

CHICKASAW COUNTY:

John Hockspeier Carl Reicks

He noted that no candidates had been nominated by Petition.

Mr. Puckett then explained that the Board of Directors had approved a proposed amendment to Article VII of the Articles of Incorporation that would provide for the reduction in the size of the Board of Directors from 9 to 7 over time. He stated that the Amendment must be approved by the Membership in accordance with the statute in order to be effective. A full text of the Amendment was included in the booklet mailed to each member.

Attorney Puckett next introduced the Ballot Committee consisting of: Tom and Elsie Ryan, Keith and Peggy Sersland, Joyce Jirak and Doug and Trudy Nath.

Ballots for the Director election and concerning the Amendment were then delivered to the Tellers who proceeded to count the same. A motion was made, seconded, and carried to close the Balloting after all ballots had been collected.

CEO Brian Krambeer presented the Manager's Report. He reported on the challenges facing the Cooperative; the plans for a new building; HTC Development Corporation; wholesale power increases; and other issues facing the Cooperative. He also responded to member questions and comments that were raised concerning the new building.

The CEO then called upon attorney Puckett to present the election results. Mr. Puckett indicated that the following members had been duly elected directors of the Cooperative to hold office for the term specified, and until their successors shall have been elected and qualified.

THREE YEAR TERM

HOWARD COUNTY: Darla Rance

WINNESHIEK COUNTY: Norman Dickman & Dennis Young

CHICKASAW COUNTY: Carl Reicks

Mr. Puckett also explained that the proposed Amendment to the Articles of Incorporation had received approval of 84.6% of the members voting and had therefore received sufficient support to be adopted in accordance with Iowa law. The Amendment will provide for the size of the Board of Directors to be reduced from 9 to 7 following the Annual Meeting in 2010 and prior to the Annual Meeting to be held in 2014. The reduction shall be coordinated so that following the reductions, there shall be three directors representing the Winneshiek District, and two directors from each of the Howard and Chickasaw Districts.

The President directed the Secretary to annex the Certificate of the Teller Committee to the minutes of this meeting.

The President next called for any unfinished business or new business, and there was none.

There being no further business to come before the meeting, the President declared the meeting adjourned.

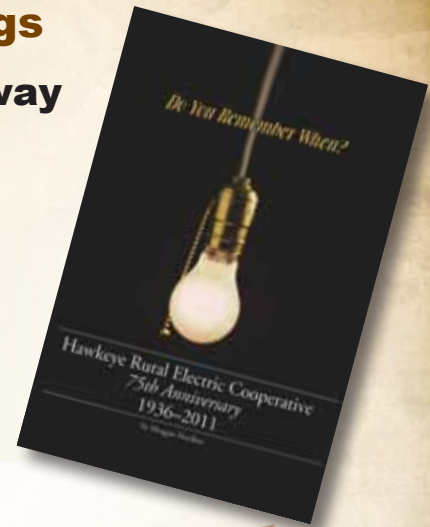
BRING THIS REGISTRATION CARD WITH YOU

Use this card to register for the prize drawings

• Over \$1,000 in electric bill credits to be given away

**Must be present to win*

All attendees will receive a copy of the 75th Anniversary Book (one per membership)



Agenda

Registration 6:30-7:00 p.m.

Call to Order and Welcome— President Dean Fisher

Pledge of Allegiance— President Dean Fisher

Invocation— Vice President Charles Frana

Announcements & Introductions— Vice President Charles Frana

Secretary's Report— Secretary Dennis Ptacek

Financial Report— CFO Peggy Berg

Nominating Committee Report— Attorney Dennis Puckett

Introduction & Election of Candidates— Attorney Dennis Puckett

CEO Report— CEO Brian Krambeer

Question & Answer Session— CEO Brian Krambeer

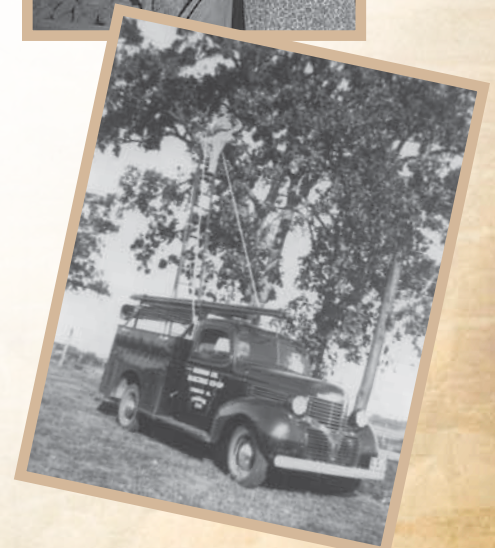
Unfinished or New Business— President Dean Fisher

Director Election Results— Attorney Dennis Puckett

Adjournment— President Dean Fisher

Drawing For Prizes

Refreshments & Kolaches



Bring this registration form to the annual meeting for your chance to win electric bill credits!

Hawkeye REC
PO Box 90
Cresco, Iowa 52136

PRSR STD
U.S. Postage
PAID
DPC

Celebrating **75**
1936-2011 *Years*

Do You Remember When? 75 Years of Hawkeye REC

For the past two years, the author worked very hard to collect stories, dig through archives of photos, scrapbooks, and documents as well as research what life was like before electricity.

Because electricity changed so many lives, it is very important to mark this historical milestone with something great—something to last another seventy-five years and pass along to our future generations. As time gently slips by in our busy world, we are slowly losing the generation that actually remember what it was like to get lights hooked up on the farm. Those verbal transcriptions of “the way it was” will no longer be shared at the dinner table or around the Christmas tree.

The creation of your electric cooperative was a huge undertaking and nothing that should be taken lightly as you enjoy your early morning cup of coffee or are entertained by your big screen TV.

Electricity is easily taken for granted. Just remember that real people, your neighbors, still go out after hours during unfavorable weather conditions or holidays to make sure you have the power you need at your rural home, business, or farm. Mother Nature may not always cooperate, but you can rest assured knowing that your rural electric cooperative staff always has, and always will be looking out for you, our members.

This volume is an 8.5" x 11", 96 page, pictorial history book. Take the time to read the following stories and memories from the past seventy-five years and look at the descriptive photos throughout the book, they tell a great story of our nation's past.

