

Dear Hawkeye REC Members:

This past summer your cooperative's board of directors and management team devoted several days for strategic planning at Hawkeye REC. The five primary goals that came out of those sessions included:

- 1) System reliability, financial planning and promoting a safe work environment
- 2) Integration and assimilation of technology to increase member satisfaction and increase efficiency
- 3) Evaluate and review our organizational structure and use technology to maximize efficiencies
- 4) Member education and information
- 5) To design and build a new headquarters to improve administrative and operational efficiencies

Seven months later, I'm pleased to report that we have made great progress on these goals. We have evaluated our organizational structure and will be making changes to run our cooperative more efficiently and better structured for future smart grid applications. These changes also include taking advantage of additional shared services with our neighboring electric cooperatives to provide direct savings.

The goal of building a new headquarters for Hawkeye REC is something I would like explain.

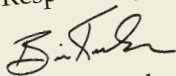
Our current headquarters was built in 1941. It's been remodeled and renovated countless times to meet the needs of our membership. However, it continues to have compliance issues with the Americans with Disabilities Act and Homeland Security. When the headquarters was built, it was efficient to meet standards 70 years ago. With minimal wall insulation and five independent heating/cooling systems, it is quite inefficient. Add to that leaky roof problems and a deteriorating foundation and you can start to see why building a new headquarters is one of the strategic planning goals. Another thing to keep in mind is that the electric industry has changed since 1941 and workflow has changed significantly due to technology.

Tackling the subject of building a new headquarters has not been taken lightly. The board and management team have spent over two years researching and devising a plan. The plans have been scaled back, a new architect was hired that has built over a dozen electric cooperative facilities, and a budget was established.

On Feb. 11, 2010, the board interviewed construction managers and selected Weiser Brothers of LaCrescent, Minn. who has built both headquarters for Tri-County Electric Cooperative in Rushford, Minn. and Vernon Electric Cooperative in Westby, Wis. The board also selected Cresco Building Services to serve on the building committee to provide input and coordinate bid packages.

If you have questions on our project, I welcome your calls, personal visits and e-mails and will continue to keep you informed on our progress through our newsletter.

Respectfully,



Brian Krambeer, CEO

Local contractors interested in bidding on our project should contact Wieser Brothers at 507-895-8903.

How will a new headquarters affect you?

- It will help us better serve your future needs, while continuing to meet new industry standards.
- Today, Hawkeye REC has access to low interest federal loans from the Rural Utilities Service to finance the construction and amortize the cost over 35 years of service.
- The current cost of construction materials and contractor pricing is very competitive. Current bid projects have shown a savings of 10 to 15 percent in the total project costs.
- The efficiencies gained from a new headquarters will allow us to incorporate new technologies to reduce future operating costs by reducing employee numbers through natural attrition.
- A new headquarters will not have a negative impact on your electric rates. The construction budget has been established at \$5.5 million and financed over a 35 year period at interest rates estimated at less than 5 percent.
- A new headquarters will have lower operating costs for heating/cooling and eliminate the costly maintenance of repairing our current building.
- The board has directed our building committee to use the existing headquarters site. This will reduce construction costs by incorporating the existing pole yard, and eliminate additional land acquisition and new infrastructure costs associated with a new site.

