



Grundy County REC

A Touchstone Energy® Cooperative



Articles of Incorporation

As Amended September 5, 2019

*Organized, January 22, 1937
Grundy Center, Iowa*

We, whose names are hereunto subscribed, hereby associate ourselves into an incorporated cooperative association under the provisions of Chapter 499 of the Code of Iowa (1987), assuming all of the powers, rights and obligations imposed upon, incorporated cooperative associations by said chapter, and for such purpose do adopt the following Articles of Incorporation.

ARTICLE I

The name of the Association shall be Grundy County Rural Electric Cooperative.

ARTICLE II

The principal office of the Association shall be located at Grundy Center, in the County of Grundy, State of Iowa.

ARTICLE III

The Association is organized under the provisions of Chapter 499 of the Code of

Iowa. ARTICLE IV

The purposes for which the Association is formed are:

1. To generate, manufacture, purchase, acquire, and accumulate electric energy for its members and to transmit, distribute, furnish, sell and dispose of such electric energy to its members; and to construct, erect, purchase, lease as lessee, and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment, transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any of the foregoing purposes;
2. To construct, erect, purchase, lease as lessee and in any manner, acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, and equipment for communication, telecommunications, engineering, computer, master billings, centralized printing, land and industrial development, group purchasing, inventory control, telephone, water supply, waste management, television and/or transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any of the foregoing purposes.
3. To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, sell, convey, lease as lessor, exchange, mortgage, pledge or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the Association to accomplish any and all of its purposes;

4. 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 the Association;
5. 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 to receive, acquire, endorse, pledge, guarantee, hypothecate, transfer or otherwise dispose of notes and other evidences of indebtedness and all security therefore;
6. To borrow money, to make and issue bonds, notes and other evidences of indebtedness, secured or unsecured, for moneys borrowed or in payment for property acquired, or for any of the other objects or purposes of the Association; to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon, or by the pledge of or other lien upon, any or all of the property, rights, franchises, privileges or permits of the Association, wheresoever situated, acquired or to be acquired;
7. To make advances and to extend credit to or for the account of the members of the Association and take any form of obligation or security therefore, to acquire, hold, transfer or pledge any note or other obligation, and to make any contract, endorsement or guaranty deemed desirable incident to the transfer or pledge of any such obligation, note or security;
8. To become a member of any federated cooperative association whose membership is restricted to incorporated cooperative associations and as the Board of Directors of the Association in its discretion may determine;
9. 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 purposes, or as may be permitted by the provisions of the laws under which the Association is formed; and to exercise any of its powers anywhere.

ARTICLE V

The duration of the Association shall be perpetual.

ARTICLE VI

The name, occupation and post office address of each of the incorporators of the Association are:

NAME	<u>POST OFFICE</u>	OCCUPATION
Clifford S. Green	Conrad, Iowa	Farmer
Alfred Dirks	Reinbeck, Iowa	Farmer
Herman Reinicke	Parkersburg, Iowa	Farmer
Albert Kitzman	Conrad, Iowa	Farmer
L. L. Hoffman	Aplington, Iowa	Farmer
Joe Boyenga	Ackley, Iowa	Farmer
R. W. Kiewiet	Holland, Iowa	Farmer
Lubert H. Meyer	Wellsburg, Iowa	Farmer
Robert Furland	Conrad, Iowa	Farmer

ARTICLE VII

SECTION 1. Any individual, in addition to the undersigned incorporators, acting for himself or as an accredited representative of an association, corporation, partnership or organization, and who customarily uses the services rendered by the Association, may become a member in the Association by (a) agreeing to purchase from the Association electric energy, and (b) agreeing to comply with and to be bound by these Articles of Incorporation, the By-Laws of the Association and such rules and regulations as may from time to time be adopted by the Board of Directors of the Association; provided, however, that no individual accepted for membership by the undersigned incorporators or the members at any meeting thereof, shall become a member in the Association unless and until he has been accepted for membership by the affirmative vote of not less than two-thirds of the members of the Board of Directors. Any other association formed under Chapter 499 of the Code of Iowa and engaged in any activity directly or indirectly related to any activity in which the Association is engaged, is also eligible to membership subject to the provisions of this section. Provided further that spouses may jointly become a member and their application for one joint membership may be accepted in accordance with the provisions of these Articles, provided the spouses comply jointly with the provisions of these Articles regarding the rules of membership.

SECTION 2. The Cooperative shall have no capital stock but membership in the Cooperative shall be evidenced by a certificate of membership. Membership in the Cooperative shall not be transferable.

SECTION 3. Each member of the Cooperative shall purchase from the Cooperative monthly not less than the minimum amount of electric energy which shall from time to time be determined by resolution of the Board of Directors of the Cooperative and shall pay therefore and for all additional electric energy used by him the price which shall from time to time be fixed therefore by resolution of the Board of Directors. Each member shall also pay all obligations which may from time to time become due and payable by such member to this Cooperative as and when the same shall become due and payable. Each member shall comply with such rules and regulations as may from time to time be adopted by the Board of Directors.

SECTION 4. No member of the Cooperative shall own more than one membership and each member shall be entitled to one vote and no more at all meetings of the members of the Cooperative. The vote of each member of the Cooperative shall be cast in person, or by mail or through other electronic means if approved by the Board of Directors, and not by proxy.

SECTION 5. The Board of Directors of the Association may by the affirmative vote of not less than two-thirds of the members of the Board of Directors, expel any member of the Association, including the under-signed incorporators, who shall have willfully violated or refused to comply with any of the provisions of these Articles of Incorporation or the By-Laws of the Association or any rules or regulations promulgated by the Board of Directors, or who shall have ceased to be eligible to membership in the Association, or who shall have failed to pay any debt or obligation to the Association when the same shall have become due and payable.

SECTION 6. If a member dies or becomes ineligible, or is expelled, his membership shall forthwith be canceled. In case of the expulsion of a member, the Association shall pay him the value of his membership as shown by the original issuing price of such membership. Such payment shall be made within sixty (60) days after such expulsion. In case of the death of a member, payment of such value shall be made to the personal representative of such deceased member within two (2) years after his death. In case of ineligibility, payment of such value shall be made to the member who has become ineligible within two (2) years after the date of his ineligibility. Interest shall not, in any case, be paid upon the value of membership determined as hereinabove provided.

SECTION 7. Any member of the Association may withdraw from membership upon payment in full of all debts and obligations to the Association and upon compliance with and performance of all contracts with the Association. Upon any such withdrawal, the member so withdrawing shall not be entitled to receive and the Association shall not pay to him the original issuing price or book value of membership.

SECTION 8. The death, expulsion or withdrawal of a member of the Association shall not impair his debts, obligations or liabilities to the Association.

SECTION 9. The private property of the members of the Association shall be exempt from execution for the debts of the Association.

ARTICLE VIII

SECTION 1. The first regular Annual Meeting of the members of the Association shall be held on the 29th day of January, 1937. Thereafter, the regular Annual Meetings of the members shall be held on such date as shall be fixed by the By-Laws. The Annual or Special Meetings of the members of this Association shall be held within the Counties of Black Hawk, Butler, Grundy, Hardin, Tama or Marshall, in the State of Iowa, at such places as shall from time to time be fixed by the Board of Directors of this Association.

SECTION 2. The Directors may call Special Meetings of members and shall do so upon written demand of at least twenty per centum (20%) of the members.

ARTICLE IX

SECTION 1. The business and affairs of the Association shall be managed by a Board of seven (7) directors who must be members of the Association.

SECTION 2. (a)The territory served or to be served by the Cooperative shall be divided into seven (7) districts, each of which shall contain as nearly as possible the same number of members and shall be composed of one or more contiguous townships. Each district shall be represented by one (1) Board Member. The districts shall be as follows:

District No. 1

- Albion Township of Butler County
- Fairfield Township and Beaver Township of Grundy County
- In Pleasant Valley Township of Grundy County - Sections: 1, 2, 3, 10, 11, 12, 13, 14, 15, 22, 23, 24, 25, 26, 27, 34, 35, 36.
- And in Colfax Township of Grundy County - Sections: 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 16.
- And in Lincoln Township of Grundy County - Sections: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18.
- And in Grant Township of Grundy County - Sections: 7, 18.

District No. 2

- Monroe and Washington Townships of Butler County
- Etna and Clay Townships of Hardin County
- German and Shiloh Townships of Grundy County
- In Pleasant Valley of Grundy County - Sections: 4, 5, 6, 7, 8, 9, 16, 17, 18, 19, 20, 21, 28, 29, 30, 31, 32, 33.

And in Colfax Township of Grundy County - Sections: 5, 6, 7, 8, 17, 18.

District No. 3

- Washington and Palermo Townships of Grundy County
- In Colfax Township of Grundy County - Sections: 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36.
- In Grant Township of Grundy County - Sections: 19, 20, 21, 28, 29, 30, 31, 32, 33.
- In Lincoln Township of Grundy County - Sections: 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36.
- And in Black Hawk Township of Grundy County - Sections: 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31, 32.

District No. 4

- Black Hawk, Orange, Lincoln, and Eagle Townships of Black Hawk County
- Geneseo, Buckingham and Grant Townships of Tama County
- In Grant Township of Grundy County - Sections: 13, 14, 15, 22, 23, 24, 25, 26, 27, 34, 35, 36.
- And in Black Hawk Township of Grundy County - Sections: 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 16, 21, 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, 36.

District No. 5

- Oneida, Carroll, Toledo, Otter Creek, York, Perry Townships of Tama County
- And in Howard Township of Tama County - Sections: 1, 2, 3, 4, 9, 10, 11, 12, 13, 14, 15, 16, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36.

District No. 6

- Eldora and Union Townships of Hardin County
- Melrose, Felix and Clay Townships of Grundy County
- Lincoln Township of Tama County

District No. 7

- Vienna, Liscomb, Bangor, Taylor and Marion Townships of Marshall County.
- Spring Creek, Carlton and Crystal Townships in Tama County.
- And in Howard Township of Tama County - Sections: 5, 6, 7, 8, 17, 18.

(b) Not less than one hundred twenty (120) days before the Annual Meeting of the members at which meeting, Board Members are to be elected, the Board should review the composition of the seven districts and, if it would find inequalities in representation, which could be corrected by a redelineation in the districts, the Board should reconstitute the districts so that each shall contain as nearly as possible, the same number of members.

(c) The Nominating Committee shall be appointed not less than sixty (60) days or more than one hundred eighty (180) days prior to the Annual Meeting. Such Nominating Committee shall be composed of those Directors of the Cooperative whose terms expire one (1) year after the Annual Meeting for which nomination of candidates for Directors are being made and other members of the Cooperative who shall be appointed by the President of the Board of Directors. The members appointed by the President of the Board of Directors shall be members of the districts for which Directors shall be elected at the current Annual Meeting. Each nominee for Director shall be a voting member who resides in the district for which a Director is being elected at the current Annual Meeting and shall meet the qualifications for becoming or remaining a Director.

The Nominating Committee shall prepare a list of nominees identifying each candidate by name, address, and the Director district in which they reside. The Nominating Committee shall make a good faith effort to nominate two (2) candidates for each Director position to be filled. In the event the Committee is unable to identify two (2) candidates for each position who consent to be nominated, the Committee may nominate only one (1) candidate for the position. The written list of nominations of the Nominating Committee shall be posted at the office of the Association not less than thirty (30) days prior to mailing the notice of the Annual Meeting of members. For ten (10) days after posting of the list of nominations by the committee, additional nominations of members residing in the district of the vacancy may be made by written petition on forms provided on request of any member and signed by not less than fifteen (15) members of the Association. Any member nominated shall give prior consent to such nomination whether by committee or petition.

The notice of the Annual Meeting of members shall list the names of all nominees for the office of Director.

(d) At each regular Annual Meeting, a number of Directors equal to the number of Directors whose terms expire at the time of such Meeting shall be elected to hold office for the term of three (3) years, and until their respective successors shall have been elected and qualified.

(e) The election of Directors shall be by ballot.

(f) Each voting member of the Cooperative present at the Annual Meeting shall be entitled to vote for one (1) candidate in each district from which Directors are to be elected at the Annual Meeting. The candidate receiving the highest number of votes in each District at the Annual Meeting shall be considered elected as a Board Member for that district.

SECTION 3. Subject to the provisions of Section 4 of the Article IX, any vacancy in the Board of Directors shall be filled by a majority vote of the remaining directors, and the Director thus elected shall serve until the next regular Annual Meeting of the members, at which time a Director shall be elected for the balance of the term of the Director whose office shall have become vacant and until his successor shall have been elected and qualified.

SECTION 4. At any meeting of members called for that purpose, any officer or Director may be removed by vote of a majority of all voting members of the Association. Any vacancy in the Board of Directors pursuant to Section 4 may be filled at the same meeting at which such vacancy is created and the Director so elected shall hold office until the next succeeding regular Annual Meeting of the members of the Association and until his successor shall have been elected and qualified. In case of the failure to fill such vacancy at such meeting, the Board of Directors may fill the vacancy at any subsequent meeting of the Board in the manner and for the term specified in Section 3 of this Article IX.

SECTION 5. No Member shall be eligible to become or remain a Director or to hold any position of trust in the Cooperative who:

- (1) is not a member of the Cooperative, residing in the district from which the director is elected;
- (2) within ten (10) years preceding a director candidate's nomination was or during service on the Board of Directors is finally adjudged to be guilty of a felony;
- (3) within ten (10) years preceding a director candidate's nomination was an employee of the Cooperative or the spouse of an employee of the Cooperative;
- (4) is or becomes, or at any time during the ten (10) years preceding a director candidate's nomination shall have been, employed by a labor union which represents, or has represented, or has endeavored to represent any employees of the Cooperative;
- (5) is a grandparent, parent, co-habitant, child, or grandchild of an employee of the Cooperative;
- (6) is a person that is a grandparent, parent, co-habitant, child, or grandchild of an incumbent director whose district seat is not up for re-election at that time;
- (7) is in any way employed by or substantially financially interested in an enterprise competing with the Cooperative or any Cooperative-affiliated business;

- (8) is or becomes the full-time employee or agent of, or who is or becomes the full-time employer or principal of, another director;
- (9) is engaged in conduct that is a violation of law or violation of a Cooperative policy or policies, or whenever a director has materially failed to satisfy his/her duties as a director, including the duty to regularly attend meetings of the Board of Directors; or
- (10) is employed by, materially affiliated with, or has a financial interest in, any individual or entity possessing a conflict of interest with the Cooperative or a Cooperative subsidiary.

For purposes of this Section, financially interested shall not include beneficial ownership of less than 5% of the bonds or the combined voting power of all issued and outstanding voting securities of a publicly held corporation whose stock is traded on a major stock exchange or quoted on NASDAQ.

In regard to the restrictive provisions of this Section that are based upon close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected a director if, during a director's incumbency, a director becomes a first kindred relative of another incumbent director or of a Cooperative employee because of a marriage or an adoption to which the director was not a party.

ARTICLE X

SECTION 1. No dividends shall be paid upon the issuing price of membership in the Association. Subject to the obligations of the Association with respect to moneys borrowed and to the provisions of any mortgage or other security given to secure such obligations, the Directors shall annually dispose of the earnings of the Association in excess of its operating expenses as follows:

(a) To provide a reasonable reserve for depreciation, obsolescence, bad debts, or contingent losses or expenses;

(b) At least ten per cent (10%) of the remaining earnings must be added to surplus until surplus equals either thirty per cent (30%) of the total of all capital paid in for stock or memberships, plus all unpaid patronage dividends, plus certificates of indebtedness payable upon liquidation, earnings from non-member business, and earnings arising from the earnings of other cooperative organizations of which the association is a member, or \$1,000, whichever is greater. No addition shall be made to surplus when it exceeds either fifty per cent (50%) of the total or \$1,000, whichever is greater and;

(c) Not less than one per cent (1%) nor more than five per cent (5%) of such earnings in excess of reserves may be placed in an educational fund, to be used as the Directors deem suitable for teaching or promoting cooperation;

(d) All remaining net earnings shall be allocated to a revolving fund and shall be credited to the account of each₉ member ratably in proportion to the business he

has done with the Association during such year. Such credits are herein referred to as “deferred patronage dividends”.

(e) The directors shall determine the percentage or the amount of said allocations that currently shall be paid in cash. All said remaining allocations not so paid in cash shall be transferred to a revolving fund and credited to said members and subscribers.

SECTION 2. The members may, at any meeting, control the amount to be allocated to surplus or educational fund within the limits specified in Section 1 of this Article X.

SECTION 3. The Directors may use the revolving fund to pay the obligations or add to the capital of the Cooperative. In such event the deferred patronage dividends credited to members shall constitute a charge upon the revolving fund and future additions thereto and on the corporate assets subordinate to creditors then or thereafter existing. Deferred patronage dividends for any one year shall have priority over those for any subsequent year, except that the directors may, at their discretion, pay deferred patronage dividends of deceased natural persons who were members or patrons, and all other deferred patronage dividends, without reference to the order of priority herein prescribed, except as in Article XII of these Articles provided. The payment of dividends owing to deceased natural persons who were members or patrons shall be made 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 Cooperative will not be impaired thereby.

SECTION 4. The Association may issue certificates for deferred patronage dividends, which certificates may be transferable or non-transferable as the Board of Directors may, from time to time, determine.

SECTION 5. Credits or certificates referred to in Sections 3 and 4 of this Article X, shall not mature until the dissolution or liquidation of the Association but shall be callable by the Association at any time in the order of priority specified in Section 3 of Article X.

ARTICLE XI

Sale or Other Disposition of Assets Other Than in Regular Course of Business.

SECTION 1. A sale, lease, exchange or other disposition of all or substantially all of the property and assets of the Cooperative, with or without the good will, if not made in the usual and regular course of business, may be made upon terms and conditions and for such consideration which may consist in whole or in part of money or property, real or personal, including shares of any other cooperative association organized under the statutes of the State of Iowa, as long as such sale, lease, exchange or other disposition is authorized in the following manner:

(a) The Board of Directors of the Cooperative shall adopt a resolution recommending the sale, lease, exchange, or other disposition and directing the submission thereof to a vote at a meeting of the membership, which may be either an Annual or Special Meeting.

(b) Written or printed notice of the proposal shall be given to each member of record entitled to vote at the meeting within the time and in the manner provided by these Articles of Incorporation for the giving of notice of meetings of members and whether the meeting be an Annual or Special Meeting, shall state that purpose, or one of the purposes of the meeting is to consider the proposed sale, lease, exchange or other disposition of substantially all of the property and assets of this Cooperative.

(c) At the meeting, the membership may authorize the sale, lease, exchange or other disposition and may fix, or may authorize the Board of Directors to fix, any and all of the terms and conditions thereof and the consideration to be received by this Cooperative. Such authorization shall be approved if two-thirds of the members vote affirmatively on a ballot on which a majority of all voting members of the Cooperative participate.

(d) After the authorization by the vote of members, the Board of Directors of the Cooperative may nevertheless in its discretion abandon the sale, lease, exchange or other disposition of assets, subject to the rights of third parties under any contracts relating thereto without further action or approval by the members.

ARTICLE XII

Upon dissolution or liquidation, the assets of the Association shall be applied, first, to pay liquidation expenses, next, to pay obligations of the Association other than patronage dividends or certificates issued therefor, and the remainder of such assets shall be distributed in the manner and order of priority provided by law.

ARTICLE XIII

The Directors, by a vote of seventy-five percent (75%) of the Directors, may adopt, alter, amend or repeal By-Laws for the Cooperative, and the same shall remain in force until altered, amended, or repealed by a vote of seventy-five (75%) percent of the members present or represented at any Annual Meeting or Special Meeting of the members.

ARTICLE XIV

The Articles of Incorporation may be amended by a vote of sixty-six and two thirds percent (66 2/3%) of the members present or represented at any Annual Meeting, or Special Meeting, provided that at least ten (10) days before said Annual Meeting or Special Meeting a copy of the proposed amendment or summary thereof be sent to all members.

ARTICLE XV

Personal Liability of Directors, Officers, Employees or Members.

Except as otherwise provided by Iowa law, a director, officer, employee, or member of the Cooperative is not liable on the debts or obligations, and a director, officer, member or other volunteer is not personally liable in that₁₁ capacity for a claim based upon an act or

omission of the person performed in the discharge of the person's duties, except for a breach of the duty of loyalty to the cooperative, for acts or omissions not in good faith, or which involve intentional misconduct or knowing violation of the law, or for a transaction from which the person derives an improper personal benefit.

The Cooperative may indemnify any present or former director, officer, employee, member or volunteer in the manner and in the instances authorized in Section 496A.4A Iowa Code (1987) as amended.