

ARTICLES OF INCORPORATION

Franklin Rural Electric Cooperative

April 24, 2018

ARTICLES OF INCORPORATION OF FRANKLIN RURAL ELECTRIC COOPERATIVE

This Cooperative Association, incorporated by the incorporators specified herein, shall be governed by the provisions of Iowa Code Chapter 499 (1995), assuming all of the powers, rights, and privileges granted to, and all the duties and obligations imposed upon, Cooperative Associations by said Chapter and for such purposes adopts the following Articles of Incorporation.

ARTICLE I

The name of this Association shall be FRANKLIN RURAL ELECTRIC COOPERATIVE.

ARTICLE II

The principal office of this Association shall be located at Hampton, in the County of Franklin, State of Iowa.

ARTICLE III

This Association is organized under and shall be governed by the provisions of Iowa Code Chapter 499 (1995), together with any amendments thereto.

ARTICLE IV

The purpose or purposes for which this Association is formed are:

1. To generate, manufacture, purchase, acquire and accumulate electric energy and to transmit, distribute, furnish, sell and dispose of such electric energy; and to construct, erect, purchase, lease as lessee, and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lesser, exchange and 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;
2. To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, sell, convey, exchange, mortgage, pledge or otherwise dispose of 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;
3. 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;
4. To wire or cause to be wired premises of members and customers, and by installing and causing to be installed therein electric 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 enter into and carry out all agreements necessary and advisable in connection therewith, and to purchase, acquire, lease, sell, distribute, install and repair electric and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character and to receive, acquire, endorse, guarantee, pledge, hypothecate, transfer, and otherwise dispose of notes and other evidences of indebtedness and all security therefore;
5. To borrow money and otherwise contract indebtedness, and give any form of obligation or security therefore and without limiting the generality of the foregoing, to issue notes, bonds and other evidences of indebtedness, and to mortgage or pledge any of its property, assets, franchises and income;
6. To make advances to or for account of members and take any form of obligation or security therefore, to acquire, hold, transfer or ledge any obligation, and to make any contract, endorsement or guaranty deemed desirable incident to the transfer or pledge of any such obligation or security;
7. To do and perform, either for itself or its member, or customers, 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; and to exercise any of its powers anywhere.
8. To deal with non-members to such extent as it permitted by law.
9. 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 and 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 purpose. The Cooperative may do and perform 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 forgoing purposes as set forth in this article and in this section, or as may be permitted by the provisions of the laws under which the association is formed; and to exercise any of its power anywhere.

ARTICLE V

The duration of this Association shall be perpetual.

ARTICLE VI

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

| <u>Name</u> | <u>Occupation</u> | <u>Post Office Address</u> |
|-----------------|-------------------|----------------------------|
| H.A. Missildine | Farmer | Dumont, Iowa |
| Roy Hemm | Farmer | Sheffield, Iowa |
| J.B. Sanders | Farmer | Chapin, Iowa |
| G.A. Marken | Farmer | Hampton, Iowa |
| Carl Stratmann | Farmer | Hampton, Iowa |
| W.E. Miller | Farmer | Hampton, Iowa |

ARTICLE VII

1. Any individual, either for himself, herself or as an accredited representative of a firm, corporation, partnership or association, may become a member in this Association by (a) applying for a membership in the Association., (b) agreeing to purchase from the Association the amount of electric energy hereinafter in Section 3 of this Article specified, and (c) 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.

2. From and after the Annual Meeting of Members to be held in 2007, there shall be no issuing price of a membership in this Association. No membership certificate shall be issued until an appropriate membership application has been submitted and no applicant for membership shall hold office until his certificate of membership shall have been issued. Any membership fee or issuing price paid by a member prior to the Annual Meeting of Members to be held in 2007 that has not previously been refunded shall be refunded following such meeting in the form of a credit against the future electrical bill(s) of the Member entitled to the refund.

3. Each member shall purchase from this Association monthly not less than the minimum amount of electric energy which shall from time to time be fixed by resolution of the Board of Directors and shall pay therefore and for all additional electric energy used by him or her, 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 to this Association 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.

4. This Association shall have no capital stock but membership herein shall be evidenced by a certificate of membership.

5. No membership shall be transferable, and all certificates thereof shall be surrendered to the Association upon voluntary withdrawal by members.

6. No member of this Association may own more than one membership and each member shall be entitled to one vote and no more at all corporate meetings. Votes shall be cast in person, by mail, or through other electronic means if approved by the Board of Directors. Proxy voting shall not be permitted.

7. No dividends shall be paid upon the issuing price of membership in this Association, if any. 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 one thousand dollars (\$1000), whichever is greater. No additions shall be made to surplus whenever it exceeds either fifty per cent (50%) of such total, or one thousand dollars (\$1,000), whichever is greater.

(c) Not less than one percent (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 each member ratably in proportion to the business the member 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 allocation that currently shall be paid in cash. All said remaining allocation not so paid in cash shall be transferred to a revolving fund and credited to said members and subscribers.

8 The members may, at any meeting, control the amount to be allocated to surplus or educational fund within the limits specified in paragraph numbered 7 of this Article VII.

9. The Directors may use the revolving fund to pay the obligations or add to the capital of the Association. 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 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 are members or patrons, and all other deferred patronage dividends, without reference to the order of priority herein prescribed, except as in paragraph number 16 of this Article VII provided. The payment of dividend owing to deceased natural persons who are 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 Association will not be impaired thereby.

10. This 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.

11. Credits or certificates referred to in paragraphs numbered 9 and 10 of this Article VIII 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 paragraph numbered 9 of this Article VII.

12. The Directors of this Association may expel any member if the member has attempted to transfer his membership or has willfully violated any of the provisions of these Articles of Incorporation or the By-Laws of the Association, or who has ceased to be eligible to membership in this Association, or who has failed to pay any debt or obligation due this Association when and as due.

13. If a member dies or becomes ineligible, or is expelled, his or her membership shall forthwith be canceled. In cases of expulsion, the Association shall pay the value of his or her membership as shown by the books of the Association on the date of cancellation but not more than the original issuing price of such membership, if any. In case of in-eligibility, payment of such value shall be made to the member who has become ineligible within two (2) years after the date of his or her ineligibility. Interest shall not, in any case, be paid upon the value of membership determined as hereinabove provided.

14. Members of this Association may voluntarily withdraw from membership upon payment in full of all debts and obligations to this Association and upon compliance with and performance of all contracts with this Association. Upon any such withdrawal, the Association shall not pay the original issuing price, if any, or book value of membership to the individual who so voluntarily withdraws.

15. The death, expulsion or withdrawal of a member of this Association shall not impair the members debts, obligations or liabilities to this Association.

16. Upon dissolution or liquidation, the assets of this Association shall be applied, first, to pay liquidation expenses, next, to pay obligations of this Association other than patronage dividends or certificates issued therefore; and the remainder of such assets shall be distributed in the following priority:

(a) To pay any deferred patronage dividends of certificates issued therefore. If the fund is insufficient to pay them all, it shall be pro-rated regardless of the priority specified in paragraph numbered 9 of this Article VII.

(b) To pay members the amounts for which their memberships were originally issued, if any and if not previously refunded without interest or dividends thereon.

(c) Any remaining assets shall be distributed among the members at the date of the dissolution or liquidation in proportion to their deferred patronage dividends.

17. The private property of the members of this Association shall be exempt from execution for the debts of this Association.

18. The Directors may, from time to time, prescribe charges to be made to each member for services rendered the member or upon products sold to the member and the time and manner of collection.

19. An individual membership may be converted by a member and his or her spouse, as the case may be, into a joint membership upon the written request of such member and compliance by such husband and wife jointly with the provision of subdivision (a), (b), and (c) of Section 1 of this Article. Such conversion shall be made and recorded on the books of the Cooperative and such joint membership noted on the original certificated representing the membership.

20. When a membership is held jointly by a husband and wife, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been

originally issued solely to him or her, as the case may be, and the joint membership certificate may be surrendered by the survivor and upon the recording of such death on the books of the Cooperative the certificate may be reissued to and in the name of such survivor; provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.

ARTICLE VIII

1. The first annual meeting of the members of this Association shall be held on the 30th day of September, 1936. All annual meetings shall be held at the town in which the principal office of this Association is located.

2. The Directors may call special meetings of members and shall do so upon written demand of twenty per centum (20%) of the members.

3. Unless he waives it in writing, each member shall be entitled to receive ten (10) days written notice of the time and place of all meetings and of the purpose of all special meetings. Such notice shall be given to him in person or by mail directed to his address as shown on the books of the Association, or, by publication in a regular publication of general circulation among its members, or newspaper of general circulation published at Hampton, in the County of Franklin, State of Iowa.

ARTICLE IX

SECTION ONE

The business and affairs of this Corporation shall be managed by a Board of Nine (9) Directors, who must be members of this Corporation. Beginning with the Annual Meeting of Members to be held in the year 2013, and prior to the Annual meeting to be held in 2017, the size of the Board of Directors shall be reduced in size from nine (9) to seven (7) directors. The reduction may occur through resignations, retirements, or such other means as deemed appropriate by the Board of Directors. The reduction shall be coordinated so that following the reductions, there shall be three (3) directors representing District One, two (2) directors representing District Two, and two (2) directors representing District Three; however, the downsizing need not occur simultaneously.

For the purpose of nominating directors of the Cooperative, the territory served by the Cooperative shall be divided into three (3) districts as follows, with the number of directors to be elected from each district as specified:

| | |
|----------------|---|
| District One | Which includes Morgan, Hamilton, Reeve, Geneva, Oakland, Lee, Grant and Osceola Townships Franklin County, Blaine Township Wright County, Alden, Hardin and Etna Townships Hardin County and Madison and Washington Townships Butler County – Prior to the reduction specified in section 1 above, four (4) directors. Thereafter, three (3) directors. |
| District Two | Which includes Ross, West Fork, Scott, Marion, Mott and Ingham Townships Franklin County and Ben Nezette and Pittsford Townships Butler County – Prior to the reduction specified in section 1 above, Three (3) directors. Thereafter, two (2) directors. |
| District Three | Which includes Union, Mt. Vernon, Bath, Grimes, Pleasant Valley, Geneseo and Dougherty Townships Cerro Gordo County, Wisner and Richland Townships Franklin County, Pleasant Township Wright County and Scott Township Floyd County – Two (2) directors. |

Following the downsizing to seven (7) directors, at such time as the membership in the districts herein established shall become disproportionate (based upon the number of members per director representative), the districts, including both the territory included therein and the number of directors allotted thereto, shall be changed by amending this article.

Directors shall be elected to serve three year terms, and until their successor shall have been elected and shall have qualified. Absent any resignations or retirements, two Directors representing District One and One Director representing District Two shall be elected in 2013; One Director from each of Districts One, Two, and Three shall be elected in 2014; and One Director from each of Districts One, Two, and Three shall be elected in 2015.

During said years, should an incumbent director whose term is expiring wish to resign or retire, the vacancy created by said resignation or retirement may be filled, but shall not have to be filled provided District One remains represented by at least three Directors and Districts Two and Three each continue to be represented by at least two Directors. No member shall be eligible to become or remain a director unless he or she is a member of the Cooperative, receives electric service in the district from which they have been nominated and elected, and is a bona fide resident living within the geographic boundaries of the Cooperative's service area. Any member who is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative shall be ineligible to become or remain a director.

As provided in the opening paragraph of this Section 1 of this Article IX, beginning with the Annual meeting of members to be held in 2013, the size of the Board of Directors shall be reduced from nine (9) to seven (7) over time and the number of directors representing each District shall be modified as provided in this Article IX.

SECTION TWO

Unless the size of the Board of Directors shall have already been reduced to seven (7) prior to the Annual Meeting of Members to be held in 2016, the reduction shall be completed in connection with the election to be held at the Annual Meeting of Members in 2016, with three Directors being elected to represent District One and two Directors being elected to represent each of Districts Two and Three. An election shall be held in each District, with any incumbent Director wishing to continue to serve being placed on the ballot along with the names of any other candidates nominated, irrespective of the Director's original term. The Directors shall be elected to such terms as are necessary to establish staggered three year terms, with one Director from each District serving a three year term, one Director from District One and one Director from District Two serving an initial term of two years, and one Director from District One and one Director from District Three serving a one year term. The Directors receiving the highest number of votes in each District shall serve the longer term and the Directors receiving the fewest votes in each District shall serve the shorter term.

SECTION THREE

Following the Annual Meeting of Members in 2016, a number of Directors equal to the number of Directors whose terms expire, at the time of such meeting, and from the Districts represented by the Directors whose terms have expired, shall be elected to hold office for the term of three years or until their respective successors shall have been elected and qualified. The election of Directors shall be by ballot, and each voting member present in person shall be entitled to cast one vote for each Director to be elected. Voting shall be completed in person, by mail, electronic means, or absentee ballot pursuant to the procedures set forth in the Bylaws or prescribed by the Board of Directors. Cumulative voting shall not be allowed.

SECTION FOUR

Any vacancy in the Board of Directors shall be filled by a majority vote of the remaining Directors, the Director thus selected to serve until the next annual meeting of members, at which time a Director shall be elected for the balance of the term of the Director whose office shall have become vacant.

SECTION FIVE

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 this Cooperative. Any vacancy pursuant to this Section Four may be filled at the same meeting, at which such vacancy is created, and in case of failure to fill such vacancy at such meeting, the Board of Directors may fill the vacancy at any subsequent meeting.

SECTION SIX

No member shall be eligible to become or remain a Director or to hold any position of trust in the Cooperative who is not a bona fide resident of the district from which he or she is nominated and elected, or who: (a) is any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the cooperative; or (b) fails to satisfy the eligibility requirements as set forth in the By-Laws. However, nothing in this section shall or shall be construed to affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

A joint member may be eligible to be a candidate and to serve on the Board of Directors provided all other eligibility requirements are met by such joint member, however, the other individual on the joint membership shall be ineligible.

ARTICLE X

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

ARTICLE XI

These Articles, or any amendment thereto, may be amended at any Annual or special Meeting of the members of this Cooperative held hereafter by an affirmative and favorable vote of at least 66 2/3% of the members present and having voting privileges.

ARTICLE XII

The Directors, by a vote of 75% of the Directors, may adopt, alter, amend or repeal by-laws for this Cooperative, which shall remain in force until altered, amended or repealed by a vote of 75% of the members present and having voting privileges, at any Annual Meeting or special Meeting of the membership provided notice of the proposed amendment is included in the notice of the meeting.

ARTICLE XIII

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 that capacity for a claim based upon an act of 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 by Iowa Code Section 499.59A (1995) as amended.

ARTICLE XIV

The Cooperative shall attempt to resolve any claim or dispute which may arise between the Cooperative and a member, former member, or customer who has received electric service in a good faith manner. In resolving such disputes, the Cooperative shall give consideration to: (1) applicable laws; (2) rules and regulations imposed by state and federal agencies; (3) these Articles of Incorporation; (4) the Cooperative's bylaws, policies, practices, plans, and procedures; (5) industry standards; and (6) the individual facts and circumstances regarding the claim or dispute.

If a member, former member, or customer who has received electric service is not satisfied with the Cooperative's resolution of the claim or dispute, all matters subject to the jurisdiction of the Iowa Utilities Board shall be resolved by the Iowa Utilities Board or, if and when appropriate, the applicable regulatory body with jurisdiction over the Cooperative and the matter.

All other claims and disputes shall, at the request of either the Cooperative or the member, former member, or customer who has received electric service, first be submitted to mediation conducted by an impartial mediator agreed to by the parties. In the event the claim or dispute is not resolved through mediation, then such shall, at the request of either the Cooperative or the member, former member, or customer who has received electric service, be submitted to binding arbitration to be conducted in accordance with the policies adopted by the Board of Directors of the Cooperative. In absence of such policies, or in the event such policies are incomplete, the provisions of Iowa Code 679A (Arbitration), as it may be amended from time to time, shall apply to the extent it is not inconsistent with the policies adopted by the Cooperative.

Notwithstanding the foregoing, the Cooperative reserves the right to pursue collection of a debt owed by any member, former member, or customer who has received electric service through other means, including but

not limited to use of a collection agency, small claims court, and other applicable courts. Further, any claim where the amount in controversy is less than the small claims jurisdictional amount may be resolved without utilizing the alternate dispute resolution procedures set forth in this Article.

Every member, by becoming or continuing to be a member, agrees to the foregoing, and agrees to be bound by the Bylaws of the Cooperative. The Bylaws and these Articles of Incorporation constitute an agreement between the Cooperative and the members.

ARTICLE XV

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

SECTION ONE

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 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 the 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 in 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 if third parties under any contracts relating thereto without further action or approval by members.

ARTICLE XVI

Words and phrases used in these Articles of Incorporation shall be construed as in singular or plural number, and as masculine, feminine or neuter gender according to the context.

CERTIFICATION OF RE
ARTICLES OF INCORPORATION
OF FRANKLIN RURAL ELECTRIC COOPERATIVE

I, David Keninger, Secretary of Franklin Rural Electric Cooperative, an Iowa cooperative corporation, do hereby certify that the attached copy of the Articles of Incorporation of the Association is a true, correct and complete copy of the Articles of Incorporation of said Association, which were first adopted by the Members at its meeting held September 30, 1936 and then next amended by the Members February 20, 1941 and then next amended by the Members February 12, 1964 and then next amended February 8, 1984 and then next amended February 24, 1988 and then next amended April 7, 1997 and then next amended April 2, 2013 and then next amended April 24, 2018.

IN WITNESS WHEREOF I have hereunto set my hand and affixed the Seal of said corporation, the 24th day of April 2018.



Secretary

(Seal)