



TARGET:
Excell⁺nce

CEC Choctaw Electric Cooperative
2015 ANNUAL REPORT

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OUR MISSION

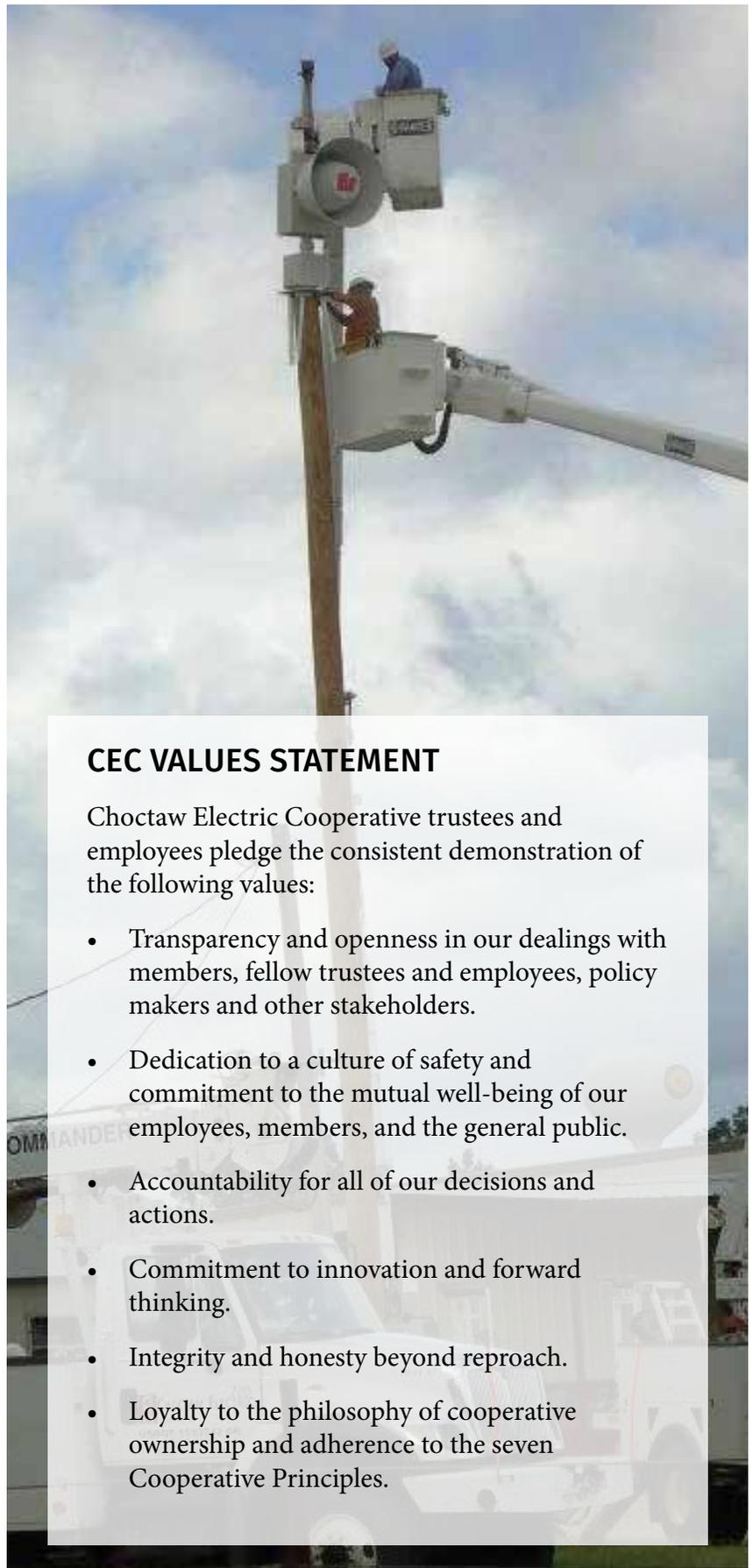
Choctaw Electric Cooperative's purpose is to continuously improve customer service and satisfaction by providing members with high quality electric and related services at fair and equitable rates.

OUR VISION

Choctaw Electric Cooperative members view the cooperative as a stable organization characterized by high levels of member trust and satisfaction, an effective and engaged board of trustees, and a dedicated and capable workforce.



A Touchstone Energy® Cooperative 



CEC VALUES STATEMENT

Choctaw Electric Cooperative trustees and employees pledge the consistent demonstration of the following values:

- Transparency and openness in our dealings with members, fellow trustees and employees, policy makers and other stakeholders.
- Dedication to a culture of safety and commitment to the mutual well-being of our employees, members, and the general public.
- Accountability for all of our decisions and actions.
- Commitment to innovation and forward thinking.
- Integrity and honesty beyond reproach.
- Loyalty to the philosophy of cooperative ownership and adherence to the seven Cooperative Principles.



BY KENNETH J. GATES, Chief Executive Officer
Choctaw Electric Cooperative

The theme for our 2016 Annual Report is “Target: Excellence,” which exemplifies the endeavor your cooperative team puts forth every day to continuously improve the quality of service and provide electricity at the lowest possible cost. Your cooperative directors, managers, and employees are diligent in their efforts to listen to our members to better meet their needs. We do not accept mediocrity and are committed to excellence. Cooperatives are different from other utilities. We put our member/owners first. We are of, by and for our members. We are locally owned and operated. We are here to serve you.

Financial Performance

Choctaw Electric Cooperative (CEC) must be accountable to its consumers and its lenders to maintain a strong financial position that enables continued safe, reliable and reasonably priced service for current members and future generations. CEC closed 2014 with an operating loss of \$3,409,168. By the close of 2015, our equity and key financial ratios were in line with peer groupings, and we minimized short-term borrowing. We closed out the year with an operating margin of \$2,533,570. The net margin for 2015 was \$6,034,921, up from \$2,066,463 in 2014. The important point to remember is that as a not-for-profit co-op, CEC is not interested in selling you something you don't need. We are not about maximizing sales; we're about maximizing member satisfaction.

Service Reliability

The Operations and Engineering department ensures that the overall system is well maintained. This team is responsible for planning ahead for future needs and continually monitoring existing equipment and resources. Clearing right of way is an ongoing challenge. The rainy season over the last two years made several areas difficult to access and created a rapid growth of

vegetation. We have upgraded to more efficient equipment and hired a right of way clearing company to assist our crews, ensuring that future right of way maintenance is completed on a timely basis. This will help reduce outages and momentary interruptions caused by trees coming into contact with power lines.

Safety

Safety is a top priority for CEC employees and members, and the public-at-large. To nurture an ongoing culture of safety, CEC holds safety meetings monthly for employees. Co-op linemen routinely practice pole top rescue procedures, and all of them are trained in CPR. We share our knowledge by offering CPR training and safety demonstrations to the community. CEC employees are very proud of our safety culture and are committed to not only their well-being but also the well-being of our members and the public. CEC received a certificate of safety achievement in May from the National Rural Electric Cooperative Association (NRECA) recognizing the commitment to employee and public safety, regulatory compliance and loss control practices. Safety awards encourage co-ops to create a culture of safety in the workplace and beyond through greater awareness, employee training, and safety programs.

Quality Improvement

CEC's Employee Quality Improvement Council is new for the co-op. The Council is comprised of a supervisor from each department and an employee from each department elected by their peers. Their goal is to streamline work processes, increase productivity, efficiency, reduce costs, and improve communications among departments. The result is improved teamwork as employees gain a better understanding of how each department can contribute to the others success. All employees are equal and rotate chairmanship of the council. The Council addresses topics

derived from business needs, input received from members and employees, and aligned with our cooperative's mission statement. Through the Council, employees will participate in the decision-making process and capitalize on opportunities for improvement through team problem solving. The objective is to exceed member and employee expectations.

Community engagement

CEC employees are committed to making their communities even better places to live, work, and play. On average, your co-op employees volunteer over 5,000 hours a year through their involvement in civic organizations, youth groups, church activities and more.

Training and Education

To provide you with service excellence, our board of directors, staff and employees participate in educational opportunities to become more knowledgeable of industry issues, strategic planning, legal requirements, technology, equipment and interpersonal relationships. We can never be complacent and must always strive to be better.

Finally, I want to express my appreciation to the board of directors for their support and leadership in promoting continuous improvement within our organization. Also, I want to recognize our employees for their commitment to excellence and team unity. CEC's corporate culture embraces honesty, trustworthiness, and the cooperative spirit to guide our decisions and actions on a daily basis. We are grateful for the opportunity to serve you.

your co-op leadership



Standing: Bill Woolsey, Mike Brewer, Norman Ranger, Danny Antwine and George Burns. Seated: James Woods, Becky Franks, Joe Silk and Marcia Wright.

Choctaw Electric Cooperative Board of Trustees

OFFICERS

George Burns, President

DISTRICT A

Joe Silk, Vice President

DISTRICT B

Mike Brewer, Secretary/Treasurer

DISTRICT H

MEMBERS

James Woods, DISTRICT C

BILL WOOLSEY, DISTRICT D

BECKY FRANKS, DISTRICT E

Norman Ranger, DISTRICT F

Danny Antwine, DISTRICT G

Marcia Wright, DISTRICT I

ABOUT YOUR BOARD:

Choctaw Electric Cooperative (CEC) service territory is divided into nine voting districts. In keeping with cooperative principles of democracy and fair representation, co-op members living within each district elect a trustee to represent them on the CEC board of trustees. Trustees serve a three year term of office and must meet certain qualifications designated by CEC bylaws. Once elected, trustees must complete professional development courses that educate them about accounting and finance, legal issues, federal and state legislation, energy regulations, and other business matters that are unique to electric cooperatives.

MEETINGS:

The Choctaw Electric board of trustees meets the last Tuesday of every month at 9 am at Choctaw Electric Cooperative headquarters in Hugo.

CONTACT YOUR TRUSTEE:

George.Burns@choctawelectric.coop

Joe.Silk@choctawelectric.coop

James.Woods@choctawelectric.coop

Bill.Woolsey@choctawelectric.coop

Becky.Franks@choctawelectric.coop

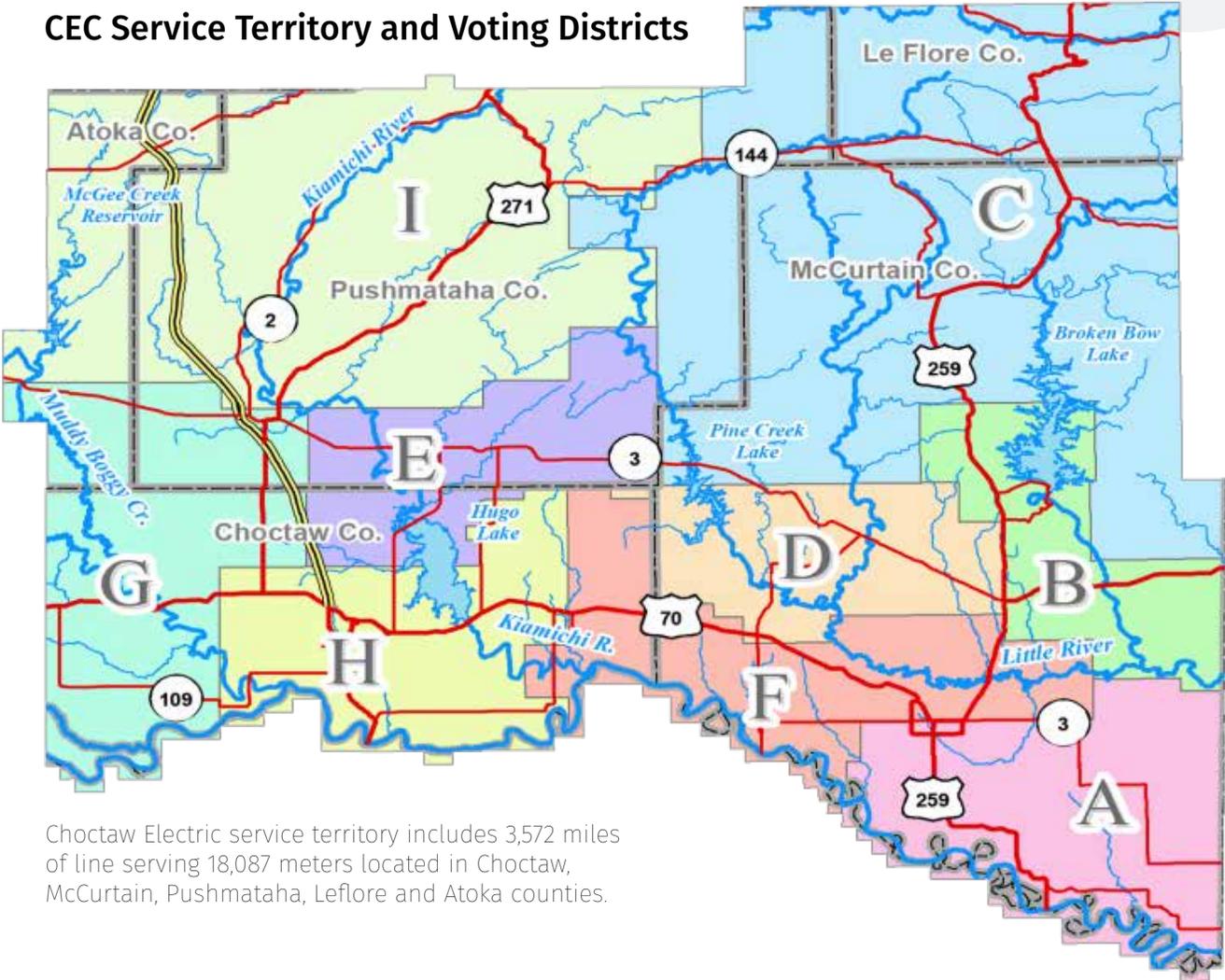
Norman.Ranger@choctawelectric.coop

Danny.Antwine@choctawelectric.coop

Mike.Brewer@choctawelectric.coop

Marcia.Wright@choctawelectric.coop

CEC Service Territory and Voting Districts



Choctaw Electric service territory includes 3,572 miles of line serving 18,087 meters located in Choctaw, McCurtain, Pushmataha, Leflore and Atoka counties.

CHOCTAW ELECTRIC SYSTEM STATISTICS

Energized Miles of Line	3,572
Coop Investment per Mile of Line	32,517
Avg. Number of Active Meters	18,087
Meters Per Mile of Line	5.06
Co-op Investment per Meter.....	\$6,280
Average Residential Monthly Usage (kwh)	1,067
Average Residential Monthly Bill	\$142
Average Cost per kwh	\$0.11

Statement of Income and Expense

For the year ended December 31, 2015

Audited performed by Bolinger, Segars, Gilbert & Moss, L.L.P., Lubbock Texas.

	\$Amount	%	
WHERE THE MONEY COMES FROM	OPERATING REVENUES		
	Residential	30,902,517 70.5	
	Commercial and Industrial	11,565,085 26.4	
	Public Buildings and Other Authorities	696,911 1.6	
	Other Electric Revenue	<u>649,806 1.5</u>	
	Total Operating Revenues	<u>43,814,319 100.0</u>	
HOW IT WAS SPENT	OPERATING EXPENSES		
	Purchased Power	\$ 25,514,936 58.2	
	Distribution - Operation	2,071,839 4.7	
	Distribution - Maintenance	2,030,782 4.6	
	Customer Accounts	1,740,014 4.0	
	Customer Service and Information	834,989 1.9	
	Administrative and General	2,102,248 4.8	
	Depreciation	3,614,637 8.2	
	Taxes	930,497 2.1	
	Other Interest	24,445 0.1	
	Other Deductions	<u>231 0.0</u>	
		Total Operating Expenses	<u>\$ 38,864,618 88.6</u>
		OPERATING INCOME (LOSS) - Before	
	Fixed Charges	\$ 4,949,701 11.4	
	FIXED CHARGES		
Interest on Long-Term Debt	2,416,131 5.5		
OPERATING INCOME (LOSS) - After			
Fixed Charges	\$ 2,533,570 5.9		
G&T Capital Credits	\$ 1,627,651 3.7		
Other Capital Credits	<u>800,674 1.8</u>		
Total Capital Credits	<u>\$ 2,428,325 5.5</u>		
	NET OPERATING INCOME (LOSS)	<u>\$ 4,961,895 11.4</u>	
WHAT WE HAVE LEFT	NON-OPERATING MARGINS		
	Interest Income	\$ 793,589 1.8	
	Other Non-operating Income	<u>279,437 0.6</u>	
		<u>\$ 1,073,026 2.4</u>	
	NET MARGINS	\$ 6,034,921 13.8	

2015 HIGHLIGHTS

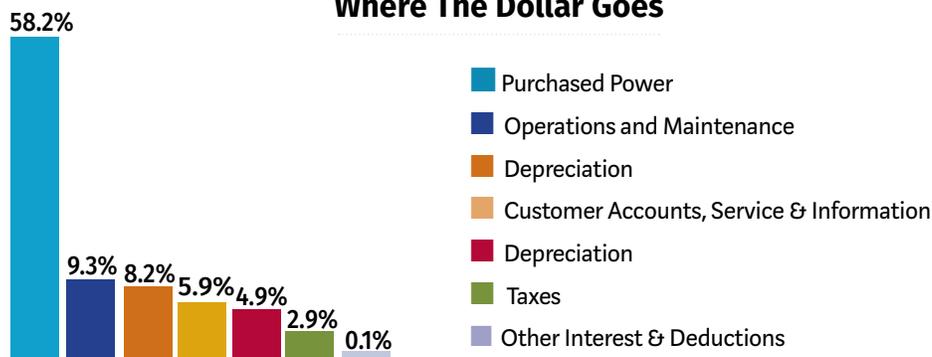
\$2,958,518

CEC expenses decreased by 6.1% compared to 2014.

\$3,968,458

Net margins increased by 9.2% compared to 2014.

Where The Dollar Goes



Balance Sheet

For the year ended December 31, 2015

	2015	
WHAT WE OWN	UTILITY PLANT AT COST	
	Electric Plant in Service	\$ 114,636,791
	Construction Work in Progress	<u>1,287,800</u>
		\$ 115,924,591
	Less: Accumulated Provision for Depreciation	<u>30,152,960</u>
		\$ 85,771,631
	OTHER PROPERTY AND INVESTMENTS AT COST OR STATED VALUE	
	Investments in Associated Organizations	\$ 19,510,046
	Non-Utility Property - (Net of Accumulated Depreciation)	31,500
	Notes Receivable	<u>233,590</u>
Other Investments	<u>25,841</u>	
	\$ 19,800,977	
CURRENT ASSETS		
Cash - General	\$ 562,130	
Temporary Cash Investments	775,811	
Available-for-Sale Investments	4,175,288	
Notes Receivable - Current Portion	192,696	
Accounts and Notes Receivable (Less Allowance for \$237,473 in 2015 and Uncollectibles of \$297,319 in 2014)	3,239,859	
Accounts Receivable - FEMA		
Accrued Unbilled Revenue	1,938,833	
Materials and Supplies	962,192	
Other Current and Accrued Assets	<u>42,994</u>	
	\$ <u>11,889,803</u>	
	<u>\$ 117,462,411</u>	
WHAT WE OWE	LONG-TERM DEBT	
	RUS Rural Development Notes Less Current Maturities	\$ 79,620
	CFC Mortgage Notes Less Current Maturities	25,728,852
	CoBank Mortgage Notes Less Current Maturities	31,950,139
	Capital Leases	
	Other Long-Term Debt 33,086	<u>\$ 57,758,611</u>
	NON-CURRENT LIABILITIES	
	Accumulated Provision for Pensions and Benefits	<u>\$ 5,084,900</u>
	CURRENT LIABILITIES	
	Current Maturities of Long-Term Debt	\$ 2,744,502
Current Maturities of Capital Lease		
Current Portion of APBO	329,700	
Line of Credit		
Accounts Payable - Purchased Power	1,950,288	
Accounts Payable - Other	464,519	
Consumer Deposits	72,624	
Accrued Employee Benefits	437,551	
Accrued Interest	116,722	
Overcollected Power Cost		
Other Accrued Expenses 69,970 80,766	<u>\$ 6,276,307</u>	
DEFERRED CREDITS	<u>\$ 780,818</u>	
OUR NET WORTH	EQUITIES	
	Memberships	\$ 66,432
	Patronage Capital	46,493,743
	Other Equities	2,990,398
	Other Comprehensive Income (1,988,798) (1,836,756)	<u>\$ 47,561,775</u>
	<u>\$ 117,462,411</u>	

OFFICIAL MINUTES OF THE 2015 CEC ANNUAL MEETING

CALL TO ORDER

President George Burns called the 75th Annual Meeting of Choctaw Electric Cooperative to order at 10:00 a.m. and welcomed the crowd.

The Choctaw Nation Color Guard executed the posting of the colors ceremony. Traeton Dansby, 2015 Youth Tour participant, led the Pledge of Allegiance to the flag. Heaven Nelson sang the "National Anthem". Choctaw Electric member, Bill Dansby delivered the invocation.

Mr. Burns thanked the band Sweet Brenda and the Ravens, the vendors, the group that prepared and served the lunch, and CEC members for their attendance today.

DECLARATION OF QUORUM

Secretary/Treasurer Mike Brewer reported the bylaws stipulate that 5% of the members must be present in order to conduct business at an annual meeting. As of September 26, 2015, Choctaw Electric had a total of 13,011 members, five percent of that total being 650. As of 10:00 a.m., 961 members had registered, therefore a quorum was present for the transaction of business.

PROOF OF MAILING OF NOTICE OF MEMBER MEETING

Secretary/Treasurer Mike Brewer reported that the Notice of Member Meeting was mailed to each member in accordance with the bylaws. The receipt from the post office in O'Fallon, Missouri, verifies that 12,947 pieces of mail containing the Official Notice were delivered to the U.S. Post Office and mailed on September 1, 2015.

MINUTES OF ANNUAL MEETING 2014

Secretary/Treasurer Mike Brewer reported that the minutes of the business meeting conducted during annual meeting 2014 were published in the September 2015 issue of "Inside Your Coop" and made available at today's meeting. President George Burns received a motion and second to dispense with the reading of last year's annual meeting minutes and accept them as printed in the Annual Meeting Report. Motion carried.

INTRODUCTION OF CEC TRUSTEES

President Burns introduced the Trustees, Attorney and CEO/General Manager.

Trustees present were:

George Burns, District A Norman Ranger, District F
Joe M. Silk, District B Danny Antwine, District G
James Woods, District C Mike Brewer, District H
Andrea Slaton, District D Marcia Wright, District I
Neil Birchfield, District E

FINAL CALL FOR BALLOTS

Attorney Bob Rabon made the final call for any remaining ballots in the audience prior to closing the election.

TREASURER'S REPORT

Secretary/Treasurer Mike Brewer reported on the financial condition of the cooperative.

PRESIDENT'S REPORT

The annual report of the President was presented by George Burns.

CEO'S REPORT

Jon Miles presented the annual report of the CEO/General Manager.

ANNOUNCEMENT OF ELECTION AND BYLAW RESULTS

Mr. Rabon announced the results of the election and bylaw amendments.

District E: Becky Franks – 179
District D: Bill Woolsey - 70
 Neil Birchfield – 42
 Andrea Slaton - 27
 Bill Haddox – 24

Bylaw Section III: 505 For 165 Against
Bylaw Section IV: 553 For 93 Against
Bylaw Section V: 569 For 104 Against
Bylaw Section VI: 577 For 98 Against
Bylaw Section XV: 604 For 70 Against

OLD, NEW, OR UNFINISHED BUSINESS

Mr. Burns asked for any old, new, or unfinished business and there was none.

GRAND PRIZE DRAWING

Jane Slaton won the Grand Prize of \$1500.00 credit toward her electric bill.

ADJOURN

There being no further business to come before the assembly the meeting adjourned at 12:34 a.m.

Qualifications for Choctaw Electric Cooperative trustees are listed in Section 4.02 of your CEC bylaws. Bylaws are available online at www.choctawelectric.coop, or pick up a copy at any CEC office.

CEC Trustee Elections

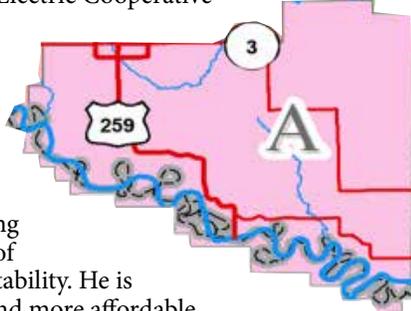
Vote at the CEC Annual Meeting on September 24.

DISTRICT A



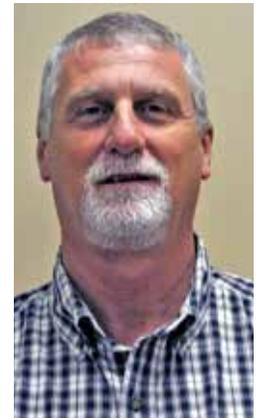
George Burns, Pollard, (incumbent), is a graduate of Haworth High School and the Oklahoma State University Institute of Technology. He recently retired from a 42-year career in the industrial electrical sector. His most current position was part owner of a leading electrical engineering and construction firm, where he worked as a senior project manager and served on the executive board. Previous to that, he held the position of vice-president of Oklahoma Operations of Engineering and Construction. With the same regard for high standards and accountability

that he approached his vocation, Burns is eager and committed to serving on the Choctaw Electric Cooperative board of trustees. As president of the CEC board of trustees for over a year, Burns works to ensure that CEC is governed in a more transparent and rational manner according to the utmost standards of fiscal and ethical accountability. He is dedicated to a restored and more affordable CEC, and being a good steward of District A's trust.



DISTRICT C

Stacy Nichols, Smithville, has lived in his community for over 30 years. He and his wife, Lisa, have three children and one grandson. He graduated from Smithville High School. After attending college, Nichols returned to Smithville as an employee of Smithville Public School. For 30 years, he has worked as teacher and coach. Currently, he serves as principal of the Smithville Elementary and Middle School. Both he and his wife are active members of Panther Creek Christian Church. Nichols enjoys southeastern Oklahoma and couldn't imagine living anywhere else.



DISTRICT B



Joe Silk, Hochatown, (incumbent), graduated from Central State University in Edmond in 1979 with a bachelor's degree in business administration. He worked in his father's hardware store business (OTASCO) in Mangum before leaving Oklahoma in 1986 to pursue a master's degree in third world economic development. After several years in community and development work in Mexico and Guatemala, Silk returned to Oklahoma in 1995, where he worked as a restaurant owner and as maintenance supervisor at Kiamichi Baptist Assembly in Talihina.

For 11 years, Silk owned and operated Beavers Bend Getaways in Hochatown, before selling the business to his son. Silk's community service includes serving as deacon and teacher at Octavia Baptist Church, board member for the McCurtain County Tourism Authority, chairman of McCurtain County Republican Party, and vice-president of the Choctaw Electric Cooperative board of trustees.



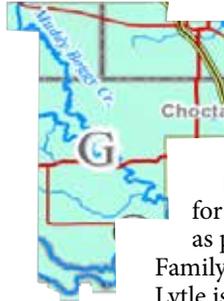
CEC Trustee Elections

Qualifications for Choctaw Electric Cooperative are listed in Section 4.02 of your CEC bylaws. For more information, visit www.choctawelectric.coop, or pick up a copy at the CEC office.

DISTRICT G



Brent Franks, Antlers, graduated from Antlers High School and attended Southeastern Oklahoma State University and Harding University. He currently serves as minister of the Antlers Church of Christ. He is also owner and manager of Brent's Heat and Air. He is married with two children and seven grandchildren.



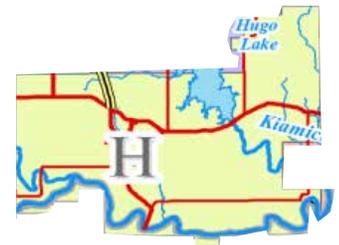
Misti Lytle, Farris, is a 22-year member of Choctaw Electric Cooperative. She is a graduate of Southeastern Oklahoma State University and the University of Oklahoma School of Pharmacy. Lytle's career includes serving as pharmacy assistant manager for Wal-Mart in Hugo, Okla. for 17 years. She currently works as pharmacy manager at the Hugo Family Pharmacy. As a pharmacist, Lytle is familiar with running a business and knows how to meet the needs of her community and neighbors. She is aware of the issues facing Choctaw Electric Cooperative and will work with all members to ensure CEC becomes the best co-op it can be. Living within the district, she is readily available for discussion with any member. She looks forward to serving members with openness and accountability.



Caroline (Blankenship) Hansen, Soper, is known to friends as "Carol." Hansen has lived in CEC District G for more than 46 years. For 22 years, she taught at Boswell Elementary and Junior High School, and served as elementary teaching principal for six years. Hansen earned a bachelor's degree in elementary education with endorsements in math, science and English, and a master's degree in school administration. She and her late husband, Bill Blankenship, owned and operated the Circle B of Soper. Her community service includes serving on various committees and organizations. She received a Volunteer of the Year award for her contributions. One summer, she was a Park Ranger at Hugo Lake and she has tutored for Choctaw Nation. Carol is presently serving as the Choctaw County election board secretary.



DISTRICT H



Mike Brewer, Hugo, (incumbent), was born in DeQueen, Arkansas and is married with two children and three grandchildren. Brewer's career in the banking business began in 1973. A graduate of Henderson State University, with a degree in banking from Louisiana State University, Brewer currently serves as president of Security First National Bank in Hugo, where he has been employed for 31 years. He also serves on several local boards within his community, including the Choctaw Electric Cooperative board of trustees. Brewer is current secretary-treasurer of the CEC board of trustees, a position he has held since 2014.

Who Decides How Your Co-op is Governed?

YOU DO!



Remember to vote at the CEC Annual Meeting on September 24.

Cooperative trustees are listed
Bylaws are available online at
up a copy at any CEC office.

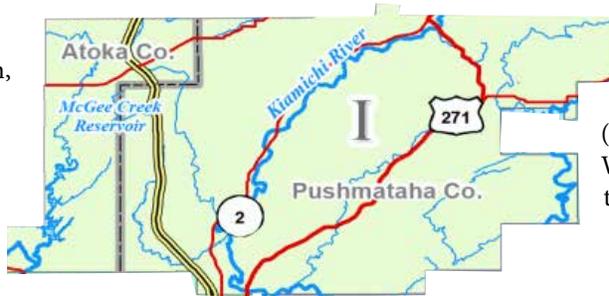
CEC Trustee Elections

DISTRICT I



Ken Autry, Snow, has lived in his community for 42 years. His diverse career includes working as a logging contractor, timber purchasing agent, and as an employee at a major battery company. For 10 years, he owned a computer networking and information technology business. Now retired, Autry is willing to devote his time to his community and his co-op. He believes his experiences qualify him as a good choice to represent members in District I. For two years, Autry served

on the CEC bylaw committee that proposed mail-in ballots. The option gives all members the opportunity to vote, even if they are unable to attend the annual meeting. He also co-authored legislation that would make it easier for electric co-op members to obtain a quorum, which would reduce the cost of annual meetings and make it easier to conduct business. He also proposed a bylaw that would provide guidelines of executive sessions and video of open board meetings. If elected, Autry will represent the members of District I for the good of all coop members, keep the membership better informed, strive for better fiscal responsibility and complete the disclosure of all information legally and ethically allowed.



Marcia Wright, Nashoba, (incumbent), and husband, Roger, are 35-year members of Choctaw Electric Cooperative. They have two daughters, Amanda (1975-2013) and Alaina, and four grandchildren. Wright's faith in God, family and career, respectively, have given her a blessed life. She graduated from Southeastern Oklahoma State University in 1991 with a bachelor's degree. She completed her master's degree in 1995. After a 29-year career in the education field, Wright retired as superintendent of Nashoba School in 2011. She has



served on the Choctaw Electric Cooperative board of trustees since 2014. Through dedication and determination, she completed the Credentialed Cooperative Director (CCD) Program and became a member of Western Farmers Electric Cooperative board of trustees in 2015.



Jimmy Pound, Miller, graduated from Antlers High School in 1973 and entered the construction field. In 1976, he became a member of Choctaw Electric Cooperative in the Miller community where he grew up.

In 1982, Pound went to work as a fuel systems operator in a coal-fired generating plant. He remained there for 28 years until he retired in 2010.

Pound and his wife currently own and operate a cow/calf operation where they tend cattle, improve the land, bale hay, and generally enjoy the good country living in the Miller community.

MAKE SURE YOUR
VOTE COUNTS!



Attending the CEC Annual Meeting on Saturday, September 24, will help ensure the quorum necessary to conduct official co-op business. **Without a quorum of at least five percent of CEC members present at the meeting, new business such as trustee elections and the vote on proposed bylaw amendments must be tabled. Please attend your meeting—and be counted!**

Proposed Bylaw Amendments

Members will vote on the following amendments at the CEC Annual Meeting on September 24, 2016.

NOTE: Proposed changes to the bylaws are printed in red and blue, below. If approved by a majority of CEC members, text in red will be added to the CEC bylaws. Text in blue will be deleted.

SECTION 1.06 PURCHASE OF ELECTRIC POWER AND ENERGY.

A. Each Member shall, as soon as electric energy service shall be available, purchase from the Cooperative all electric energy used on the premises specified in the Application for Service and Membership, except in such cases as a Member may have interconnected his/her own generation resource with the Cooperative, and shall pay therefore at rates which shall be fixed by the Board. Each Member shall pay all amounts owed to the Cooperative as and when the same shall become due and payable.

B. ~~Power Production by Member.~~ The Cooperative shall use its best efforts to furnish its members with adequate and dependable electric service, although it cannot, and therefore does not, guarantee a continuous and uninterrupted supply of electricity thereof; and each member, for so long as such premises are owned or directly occupied or used by him, shall purchase from the Cooperative all central station electric power and energy for use on all premises to which electric service has been furnished by the Cooperative pursuant to his membership, unless and except to the extent that the Board of Trustees may in writing waive such requirement, and shall pay therefore at the time, and in accordance with the rules, regulations, and rate schedules. ~~Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative, Each member shall also pay all other amounts owed by him to the Cooperative as and when they become due and payable.~~

- C. In an effort to promote renewable energy, the Cooperative shall, at minimum,
1. Credit the Member for any/all excess kilowatt-hours at the retail rate.
 2. Allow any/all excess kilowatt-hours to be credited to the next billing period for 12 months.
 3. Allow the Member to designate the starting month of the 12-month billing period.

SECTION 1.10 MEMBERS RIGHTS.

Members gain their rights based on the Cooperative principles of democracy and the Member/Owner status.

I. "Access to information"
As member/owners, members shall have access to information relevant to the business of the Cooperative with the exception of (i) information that is confidential by law, (ii) any contractual business handled in an executive session, or (iii) any information that if released may otherwise cause the Board of Trustees to breach their fiduciary duty to the Cooperative and/or its members. Information shall be supplied to Members through methods including website postings, mailings, requested viewing and/or printed copies within 3 business days, special informational meetings, news releases distributed to industry publications, and news media. Subject to the limitations set forth above, information provided to Members shall include, but not be limited to, the following:

- A. Board Meeting schedule;
- B. Agenda of any official meeting within five (5) business days prior to the meeting;
- C. Approved Minutes of any official meeting within fifteen (15) business days following approval;
- D. Bylaws, Board of Trustee policies, Service rules and other policies and regulations.
- E. Financial reports and audits;
- F. Business agreements and contracts not deemed confidential by law or non public confidential;
- G. Rate Schedules;
- H. Billing history for the member requesting the information;
- I. Monies paid to Attorneys in fees and other payments, only when the legal contractual period (annual or by case) is concluded;
- J. Trustee compensations, payments, per diems, travel expenses and receipts for training and meetings; and
- K. Member list (Names only); member request with a clear intent and purpose to give information to district members in support of democracy. (Example; Trustee election candidates to know district members and/or a removal petition.)

SECTION 3.04 QUORUM.

Business may not be transacted at any meeting of the members unless there ~~are present in person at least is a Quorum of five (5%) percent of the Cooperative's members, except that, if less than a quorum is present at any meeting, the presiding officer shall adjourn the meeting.~~ Membership. A quorum of Members is five percent of current Cooperative Members ("Member Quorum") who are present in person or who cast a vote by mail. If less than a Member Quorum is present in person, or cast a vote by mail at the Annual Members Meeting or business could not be conducted for any reason, a date will be set for the purpose of holding an Annual Meeting to conduct business within ninety (90) days of the original scheduled date. ~~At any meeting, the presiding officer shall adjourn the meeting.~~

SECTION 4.02 TRUSTEE QUALIFICATIONS.

No person shall be eligible to become or remain a trustee of the Cooperative or to hold any other position of trust in the Cooperative who:

- (a) is a close relative of an incumbent trustee or of an employee of the Cooperative or;
- (b) is not a member of the Cooperative for at least 1 (one) year and receiving service there from at his primary residential abode or;
- (c) is not a bona fide resident of the particular district which he is to represent or;
- (d) is not at least twenty-one (21) years of age, does not have at least a high school diploma or GED equivalent for those individuals born in 1950 or thereafter, or is or has been within the past sixty months, in any way employed by or financially interested in the cooperative or in a competing enterprise, or a business selling electric energy or supplies, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to, among others, the members of the Cooperative, or;
- (e) is the incumbent or candidate for an elective public office in connection with which a salary or compensation in excess of one hundred dollars per annum is paid or;
- (f) is a convicted felon or who has pled guilty to a felony or who has pled nolo contendere to a felony charge;
- (g) is not willing to become a certified trustee within the first term of office by participating in an OAEC or NRECA program designed to educate the new board member to the history and business of electric cooperatives. This provision to become effective for Trustees elected in 2003 and thereafter. Upon establishment of the fact that a trustee is holding office in violation of any of the foregoing provisions, it shall immediately become incumbent upon the Board of Trustees to remove such trustee from office. Upon establishment of the fact that a nominee for trustee lacks eligibility under this

Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the chairman presiding at the meeting at which such nominee would otherwise be voted upon to disqualify such nominee. Upon the establishment of the fact that any person being considered for, or already holding, a trusteeship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board of Trustees to withhold such position from such person, or to cause him to be removed there from, as the case may be. Nothing contained 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 Trustees, unless such action is taken with respect to a matter which is affected by the provisions of this Section and in which one or more of the trustees have an interest adverse to that of the Cooperative.

~~(h) Is a former employee.~~

SECTION 4.09 TRUSTEE VACANCIES.

Subject to the provisions of Section 4.08, with respect to filling a vacancy of the board of trustees shall be filled by ~~an election for the vacant district by the members of that district. the appointment of a cooperative member residing in the vacant district by the remaining members of the board.~~ This will be done by a special election or at the next annual meeting. ~~Once appointed the trustee shall serve until the next annual meeting in which an election will be conducted to fill the remainder of the unexpired term.~~ The newly elected trustee will serve the remainder of the unexpired term.

SECTION 4.10 COMPENSATION; EXPENSES; INDEMNIFICATION.

For their attendance at meetings of the Board of Trustees, trustees shall, on a per diem basis, receive such fee as is fixed by ~~resolution of the Board of Trustees the members.~~ The per diem basis of payment is calculated at \$550.00, for the first per diem each month and then \$50.00 per day thereafter for all meetings attended within the Cooperative's service area. Per diem for meetings attended out of the Cooperative's service area shall be calculated at \$100.00 per day. Trustees may participate in cooperative health benefits at their own expense. They shall also receive reimbursement for travel and out of pocket expenses incurred as a result of performing necessary duties relative to their positions as trustee. No trustee or relative of a trustee shall receive compensation for serving the cooperative in any other capacity. The Cooperative shall indemnify its trustees, officers, agents and employees, and may purchase insurance to cover such indemnification against all liability arising out of their acts in their official capacities if they shall have acted in good faith and deemed such acts to be in the best interests of the Cooperative or not against its best interests. A close relative of, or a former board member, shall not be allowed to be awarded contracts or receive any

Cont'd on pg 14

Proposed Amendments

Cont'd from pg 13

financial compensation from the cooperative. Payments to a Board Trustee will be made on submission of an expense report and report of related activities which shall be noted and included in Board meeting minutes. Unless otherwise required by applicable state or federal law, former trustees shall not receive any benefits or be eligible to participate in cooperative health benefits.

SECTION 4.13 TRUSTEE "CLOSE RELATIVE" DEFINED.

As used in these Bylaws, "close relative" means a person who, by blood or in-law, including step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew, or niece of the principal up to but not including niece-in-law and nephew-in-law.

SECTION 5.01 MEMBER RIGHT OF ATTENDANCE – TRUSTEE MEETINGS.

A member has the right to attend every regular, special, or a called meeting of the Board of Trustees or committees except for Executive Sessions as allowed by this bylaw or by federal or state law.

Definitions:

Meetings - A quorum of Trustees present, in person or by electronic means, and discussion or deliberation of any Choctaw Electric Cooperative business taking place. The term "meeting" does not include the gathering of a quorum of the Board of Trustees at a social function, or the attendance by such a quorum at a regional, state, or national convention or workshop, ceremonial event, or press conference, if formal action is not taken and any discussion of Choctaw Electric business is incidental. All meetings shall be called with proper notice.

Executive Session - means a meeting to which members do not have access unless invited to participate for reason in that session. Reason for the Executive Session must be stated in the motion to convene. Executive Session may be held for the following reasons: Legal matters, Real Estate transactions, Contract negotiations, Personnel issues, Competitive matters, Cooperative and Member security. A final action, decision, or vote on a matter deliberated in an Executive Session may only be made in a member meeting, except when voting in said meeting could result in legal action or negative financial impact against Choctaw Electric Cooperative.

Exceptions to Requirement That Meetings Be Open:

Executive Sessions.

An Executive Session may be held as allowed by law or

pursuant to these bylaws. In executive session, the Board of Trustees or its Committees may conduct a private consultation with its attorney, invited staff, consultants, or any other person whose presence the Board of Trustees deems necessary. In the event of a dispute regarding participation in any executive session of any non-Trustee attendee, a majority vote of the Board of Trustees shall determine participation eligibility of attendees. Executive sessions may be held for the following reasons:

a) Legal Matters.

The Board of Trustees may discuss legal matters or seek the advice of their attorney on legal matters. Legal consultation includes, advice about anticipated or pending litigation, settlement offers, concerns reported under the Cooperative's Whistleblower Policy, and interpretations of the law.

b) Real Estate.

The Board of Trustees or its Committees may deliberate the purchase, exchange, lease, or value of real property if deliberation in an Open Meeting would have a detrimental effect on the Cooperative.

c) Contracts.

The Board of Trustees or its Committees may deliberate business and financial issues relating to a contract being negotiated if deliberation in an Open Meeting would have a detrimental effect on the position of the Cooperative.

d) Personnel.

The Board of Trustees or its Committees may deliberate the Cooperative's personnel issues, or Cooperative employee, or consultant. However, this subsection does not apply if the employee who is the subject of the deliberation or hearing requests a public hearing.

e) Competitive Matters.

The Board of Trustees or its Committees may deliberate "Competitive Matters," meaning commercial information and utility-related matters that the Board, in good faith, determines are related to the Cooperative's competitive activity that would, if disclosed, give an advantage to individuals or entities who have sought or are likely to seek business or the dissolution, takeover or sale of Choctaw Electric Cooperative, or would adversely affect Choctaw Electric Cooperative's ability to competitively purchase goods and services.

f) Security.

The Board of Trustees or its Committees may conduct an Executive Session to discuss security issues relating to security of the electrical system including, but not limited to, security personnel, security devices, security audits, and cyber security.

Before an Executive Session is held, the Board of Trustees or its Committees will first convene in an Open Meeting for which property notice has been given. The presiding Trustee announces that an Executive Session will be held and identifies the reason for which an Executive Session is held. A final

action, decision, or vote on a matter deliberated in an Executive Session may only be made in an Open Meeting that is held in compliance.

The Board Secretary or the Secretary's designee will make and keep a written record of the proceedings of each Executive Session of Board Meetings and Executive Sessions. The record will include a statement of the subject matter of each deliberation, and an announcement by the presiding Trustee at the beginning and the end of the Board Meeting indicating the date and time. Notwithstanding the Cooperative's Records Management Policy and Retention Schedule, the record will be preserved by digitizing it (computer readable on CD or any other long term Storage devices. There will also be a Digital Backup Copy Maintained) within 60 days after the Board Meeting. No attendee of executive session shall be allowed to make any audio, pictorial, or video recording of any portion of an executive session. The Board Secretary or the Secretary's Designee will be the custodian of any materials distributed during executive session and shall be responsible for collecting the materials at the end of the session. The Secretary or the Secretary's Designee shall see that duplicate copies are destroyed and original documents are maintained in accordance with the Cooperative's Record Management Policy. Upon request, and with advanced scheduling coordinated through staff and with notification provided to all Trustees, any Trustee may inspect onsite at the Cooperative's Headquarters, original documents or electronic records from executive session archives but in no case shall a Trustee be allowed to photograph, video, duplicate, transmit, record, distribute, or otherwise image or reproduce any executive session materials. All executive session materials shall remain in the control of the Custodian on Choctaw Electric premises, except in the event that executive session materials are provided in advance of executive session meetings via email or hardcopy such documentation shall be noted as "confidential" and may not be duplicated, recorded, transmitted, emailed, or otherwise distributed. Nothing in this bylaw shall limit the ability of the Board by majority vote to release documents or materials, in part or in whole, previously determined to be confidential.

The Board of Trustees and its committees may adopt reasonable rules to maintain order at a meeting. Member's right to attend does not guarantee the right of a member to speak unless on the agenda.

Recording Open Meetings

A member in attendance may record all or any part of an Open Meeting by means of a tape recorder, video camera or other means of audio or visual reproduction. The Board of Trustees and its Committees may adopt reasonable rules to maintain order at a Meeting, including rules relating to the location of recording equipment and the manner in which a recording is conducted if applicable.

A **Policy** **rule** adopted by the Board of Trustees may not prevent or unreasonably impair a member from exercising **at their** rights granted in **the of this** bylaws.

Superseding Law;

This **B**bylaw shall be applied and interpreted according to, and shall not supersede, any court order, or state or federal law.

SECTION 6.10 (CHIEF EXECUTIVE OFFICER/GENERAL MANAGER).

The Board of Trustees may appoint a Chief Executive Officer/ General Manager, who may be, but who shall not be required to be, a member of the Cooperative. Such officer shall perform such duties as the Board of Trustees may from time to time require and shall have such authority as the Board of Trustees may from time to time vest in him.

The Board of Trustees may appoint a Chief Financial Officer (CFO), who must reside in one of the counties that the Cooperative serves. Such officer shall report to the Chief Executive Officer/General Manager.

The Board of Trustees may appoint an Operations Manager, who must reside in one of the counties that the Cooperative serves. Such officer shall report to the Chief Executive Officer/ General Manager.

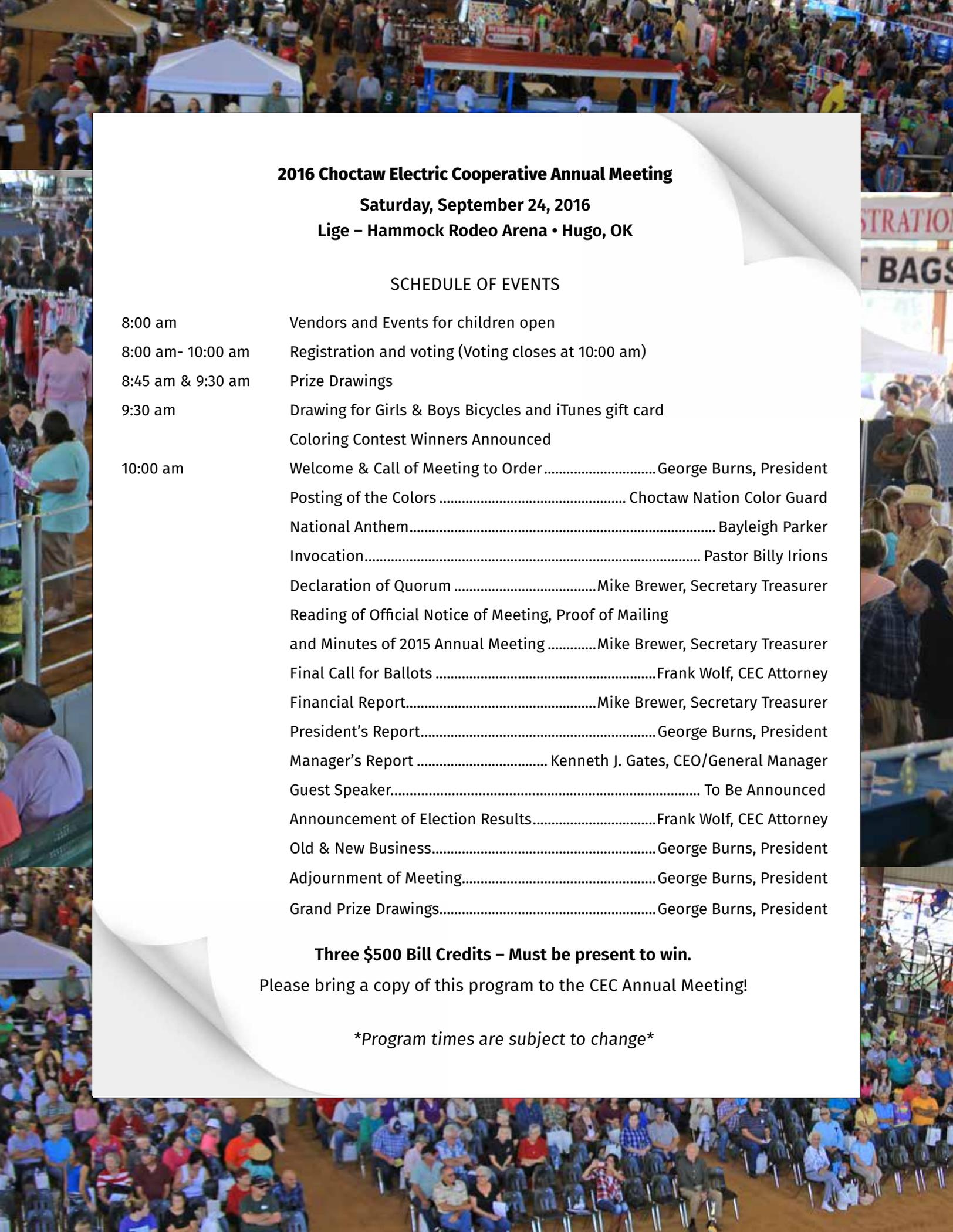
CEC CHOCTAW ELECTRIC
Cooperative

A Touchstone Energy® Cooperative 

Hugo Office
PO Box 758, Hwy 93 North
Hugo, OK 74743
800-780-6486 • 580-326-6486

Antlers Office
HC 67, Box 62
Antlers, Okla. 74523
800-780-6486 • 580-298-3201

Idabel Office
2114 SE Washington
Idabel, Oklahoma 74745
800-780-6486 • 580-286-7155



2016 Choctaw Electric Cooperative Annual Meeting

Saturday, September 24, 2016

Lige – Hammock Rodeo Arena • Hugo, OK

SCHEDULE OF EVENTS

8:00 am	Vendors and Events for children open
8:00 am- 10:00 am	Registration and voting (Voting closes at 10:00 am)
8:45 am & 9:30 am	Prize Drawings
9:30 am	Drawing for Girls & Boys Bicycles and iTunes gift card Coloring Contest Winners Announced
10:00 am	Welcome & Call of Meeting to OrderGeorge Burns, President Posting of the Colors Choctaw Nation Color Guard National Anthem..... Bayleigh Parker Invocation..... Pastor Billy Irions Declaration of QuorumMike Brewer, Secretary Treasurer Reading of Official Notice of Meeting, Proof of Mailing and Minutes of 2015 Annual MeetingMike Brewer, Secretary Treasurer Final Call for BallotsFrank Wolf, CEC Attorney Financial Report.....Mike Brewer, Secretary Treasurer President's Report.....George Burns, President Manager's Report Kenneth J. Gates, CEO/General Manager Guest Speaker..... To Be Announced Announcement of Election Results.....Frank Wolf, CEC Attorney Old & New Business..... George Burns, President Adjournment of Meeting.....George Burns, President Grand Prize Drawings.....George Burns, President

Three \$500 Bill Credits – Must be present to win.

Please bring a copy of this program to the CEC Annual Meeting!

Program times are subject to change