

SHARE THE VISION



Choctaw Electric
Cooperative

2017 Annual Report





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OUR VALUES

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.

A LITTLE ABOUT US



VISION

To focus on improvement in all areas with emphasis on the following: service, reliability, costs, culture and safety.

MISSION

The Choctaw Electric Cooperative mission is to provide reliable, safe and affordable energy services to the members we serve.

Choctaw Electric Cooperative (CEC) is a member-owned cooperative with a history that is deeply ingrained in the life and culture of southeast Oklahoma. Founded in 1940 by local residents who believed in the collective power of the people to bring about positive change, the cooperative brought electricity and progress to farms, homes and communities that other electric utilities refused to serve. Guided by principles that include local ownership and governance through democratic control, Choctaw Electric has remained focused on elevating the quality of life in southeast Oklahoma for more than 78 years.

On the Cover: Choctaw Electric Lineman Darren Frazier brings electricity to the remote village of Chiis in the mountains of Guatemala. Frazier was selected to participate in the 2017 Energy Trails electrification project, sponsored Oklahoma's electric cooperatives. PHOTO/OAEC

YOUR ELECTED TRUSTEES



OFFICERS

President

Brent Franks, District G

Vice President

Joe Silk, District B

Secretary Treasurer

Mike Brewer, District H

MEMBERS

George Burns, District A

Stacy Nichols, District C

Bill Woolsey, District D

Becky Franks, District E

Norm Ranger, District F

Ken Autry, District I

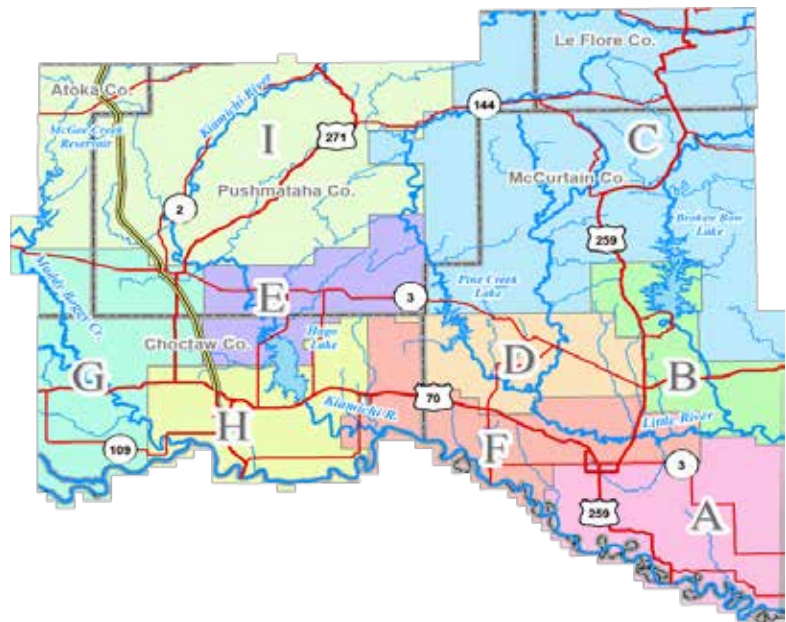
VOTING

CEC service territory is divided into nine voting districts. Members in each district elect a trustee to represent them on the CEC board of trustees. Trustees serve a term of three years.

MEETINGS

CEC trustees meet the last Tuesday of every month at the CEC office in Hugo. Members are invited to attend board meetings to listen and learn about the business of their electric cooperative. Meeting minutes are posted online each month at www.choctawelectric.coop.

CEC SERVICE AREA & VOTING DISTRICTS



FROM THE CEO

CEO Kooney Duncan shares his observations of Choctaw Electric (CEC) progress over the past two years. Choctaw Electric service, finances, and operations efficiency are showing significant improvement.

CHOCTAW ELECTRIC GROWING STRONGER



KOONEY DUNCAN

As we prepare to celebrate our 78th annual meeting, we should recognize the amazing strides we've made over past two years. Thanks to the hard work and due diligence of your trustees and CEC employees, our shared vision for a better cooperative is more than wishful thinking. Positive things are happening right now.

For instance, with our current workforce of 67 employees, we continue to improve our efficiency and effectiveness, and reduce our overhead expenses. Along with other cost shaving measures, we have reduced our debt load by 27 percent, from more than \$70 million in 2014 to \$51 million today.

As we chip away at debt, we have managed to raise our equity level to 48.3 percent. Growth in Hochatown spurred a considerable investment in new lines and equipment. As a result, our total utility plant has grown by more than \$17 million over the past five years. These are clear signals your cooperative is strong and growing

stronger. More importantly, we have accomplished all of this while decreasing our average revenue collections per kilowatt-hours sold. Basically, this means we are doing more—and doing it more effectively—with less money.

Take our right of way program. In 2017, we sprayed 750 miles and trimmed more than 450 miles of right of way. By the end of this year, we expect an even better record: 1,000 miles sprayed and 700 miles trimmed and cleared. While right of way maintenance is one of our biggest expenses, the process equates to more reliable power for you, increased safety for members and employees, fewer repairs, and faster response times.

Meanwhile, we continue to stress safety at every level. I'm proud to report CEC employees worked 15 months without a lost time accident. This is more impressive when you consider

our team logged 344,577 driving miles and worked 194,540 hours in an industry that is rife with dangers— and we did it without getting hurt. That's what a culture of safety will get you.

From your trustees to your co-op employees, CEC is working hard, working safely, and working efficiently to improve service and reliability for you. We share the same vision for CEC and we're closer than ever to making that vision a reality. Thank you for your support.



- Debt Down
- Equity Up
- Returns to Members
- Improved Service



OLD BUSINESS: 2017 MEETING MINUTES

CALL TO ORDER

President Brent Franks called the 77th Annual Meeting of Choctaw Electric Cooperative (CEC) to order at 10 am and welcomed the crowd.

Boy Scout Troop 332 executed the posting of the colors ceremony. Terah Wright led the Pledge of Allegiance and sang the National Anthem. Brad Bain delivered the invocation.

Mr. Franks introduced himself and CEC Trustees: Joe M. Silk, Vice-President, District B; Mike Brewer, Sec.-Treasurer, District H; George Burns, District A; Stacy Nichols, District C; Bill Woolsey, District D; Becky Franks, District E; Norman Ranger, District F; and Ken Autry, District I.

Frank Wolf, Cooperative Attorney, Choctaw Electric CEO Kooney Duncan, and Chief Financial Officer Tiffany Hempsted were introduced. Also acknowledged were special guests Chris Meyers, General Manager, Oklahoma Association of Electric Cooperatives, and Brian Hobbs, WFEC. The McCurtain County 4-H group was recognized for serving hotdogs and cleaning-up. Mr. Franks thanked vendors and CEC members for their attendance.

DECLARATION OF QUORUM

Sec.-Treasurer Mike Brewer said bylaws stipulate that five percent of CEC members must be present to legally conduct business at an annual meeting. 488 members registered today and 867 members registered by mail. Total members registered was 1,355. Per the bylaws, the number of members attending the annual meeting meets the quorum requirements for the transaction of business.

PROOF OF MAILING

Sec.-Treasurer Mike Brewer reported the Notice of Member Meeting was mailed to each member in accordance with the bylaws. Receipt from the post office in O'Fallon,

Missouri verifies that 13,198 pieces of mail containing the Official Notice were delivered to the U.S. Post Office and mailed September 1, 2017.

2016 MEETING MINUTES Sec.-Treasurer Brewer reported the minutes of the annual business meeting 2016 were published in the September 2017 CEC Annual Report and made available to all members. President Franks received a motion from CEC member Robert Moffatt to dispense with reading last year's annual meeting minutes and accept them as printed. CEC member Richard Dixon seconded. Motion carried.

FINANCIAL REPORT

Sec.-Treasurer Mike Brewer reported on CEC's financial condition. In 2016, CEC net income totaled \$2,597,263 compared to \$4,961,895 in 2015. CEC assets grew by \$1,213,614 over 2015. Total assets in 2016 totaled \$118,676,025 compared to \$117,462,411 in 2015. That amount reflects mostly poles, wires, transformers, meters, buildings, trucks and equipment to provide electric service. Long-term debt decreased \$2,857,533 since 2015. CEC profits are strong. Brewer provided a financial summary and said he would be happy to answer any questions after the meeting.

PRESIDENT'S REPORT

President Brent Franks reported that CEC hired CEO Kooney Duncan, and CFO Tiffany Hempsted, in addition to an internal hire of Distribution Engineer Jake Johnson. Franks said members are welcome to attend monthly board meetings.

CEC financial stability has improved, long-term debt decreased \$2,857,533. Equity grew from 41.13 percent at the beginning of the year to 46.09 percent at the end of the year. In 2016, approximately \$1,900,000 capital credits were retired and we continue

SERVICE HIGHLIGHTS

to retire estate capital credits. CEC created several measures for member's convenience: SmartHub, Prepaid billing, and Pay-Site Kiosks.

CEO'S REPORT

Mr. Duncan presented the CEO report, and introduced himself, his wife and daughters. He thanked Trustees for giving him the opportunity to represent the Cooperative and work with excellent employees. After giving a brief history of the co-op, Duncan summarized CEC measures to become more efficient, which included: CEC's outage management system; searchable database for capital credit retirements; in-house right-of-way spray crews; system improvements; and system growth. Duncan concluded by emphasizing his open-door policy. He encouraged members to come by the office or call anytime.

RECOGNITION OF CENTENARIANS

Leona McGarry, 102, joined CEC 1962
 Ray Peek, 102, joined CEC 1949
 Hershel Pence, 105, joined CEC 1949
 Leo Smallwood, 100, joined 1975
 Sidney Honeycutt, 100, joined 1975

ELECTION & BYLAW RESULTS

Frank Wolf announced the results of the election:

All Bylaw Amendments Passed:
 Article 1: Membership, Sec. 1:10
 Article 4: Trustees, Sec. 4.05 Trustee Districts
 Article 5.01: Member Right of Attendance
 Remove Article X Waiver of Notice: due to Conflict 1:10B

Election results: District G – Brent Franks

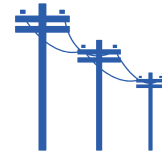
NEW BUSINESS

Mr. Franks asked for any new, business. There being no further business, the meeting was adjourned.



18,825

Average number of active meters



3,590

Number of miles of power line in the CEC system



\$139.31

Average residential bill per month



5.24

Average meters per mile of line



9.7 ¢

Average cost per kwh (includes residential, commercial and industrial)



1,076

Average residential kwh usage per month

STATEMENT OF INCOME AND PATRONAGE CAPITAL

For the year ended December 31, 2017

Audit performed by Bolinger, Segars, Gilbert and Moss, L.L.P., Lubbock, Texas

OPERATING REVENUES

Residential	\$30,788,825
Commercial and Industrial	11,659,664
Public Buildings and Other Authorities	148
Other Electric Revenue	<u>455,139</u>
Total Operating Revenues	<u>\$42,903,776</u>

OPERATING EXPENSES

Purchased Power	\$25,368,743
Distribution - Operation	2,187,118
Distribution - Maintenance	3,302,326
Customer Accounts	1,625,284
Customer Service and Information	735,011
Administrative and General	2,347,803
Depreciation	3,585,330
Taxes	128,153
Other Interest	2,512
Other Deductions	<u>41,427</u>
Total Operating Expenses	<u>\$39,323,707</u>

OPERATING INCOME - Before

Fixed Charges	\$3,580,069
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FIXED CHARGES

Interest on Long-Term Debt	<u>2,326,015</u>
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OPERATING INCOME - After

Fixed Charges	\$1,254,054
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G&T Capital Credits	\$734,235
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Other Capital Credits	<u>453,521</u>
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Total Capital Credits	<u>\$1,187,756</u>
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NET OPERATING INCOME	<u>\$2,441,810</u>
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NON-OPERATING MARGINS

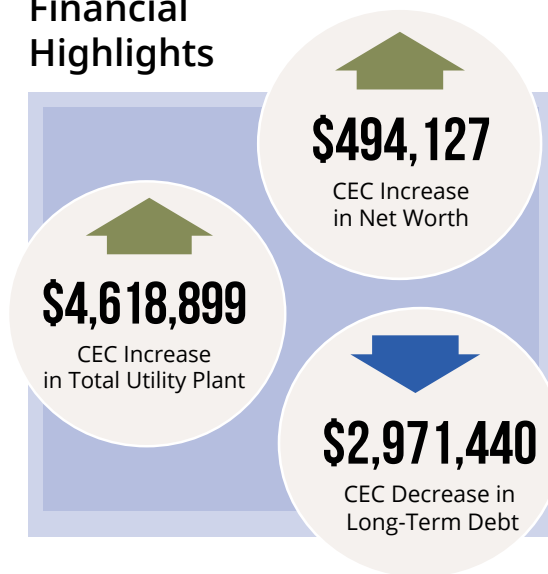
Interest Income	\$205,352
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Other Non-Operating Income	<u>169,044</u>
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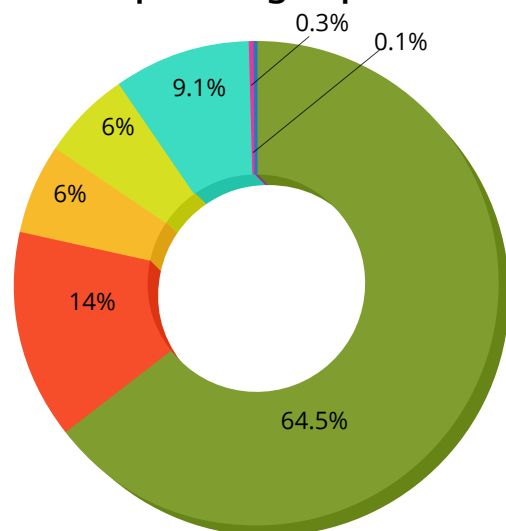
	<u>\$374,396</u>
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NET MARGINS	<u>\$2,816,206</u>
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Financial Highlights



Operating Expenses



● Purchased Power.....	\$25,368,743
● Operation & Maintenance.....	\$5,489,444
● Customer Accounts, Service & Information.....	\$2,360,295
● Administrative & General.....	\$2,347,803
● Depreciation.....	\$3,585,330
● Taxes.....	\$128,153
● Interest & Other Deductions.....	\$43,939

BALANCE SHEET

For the years ended December 31, 2017 and 2016

	2017	2016
ASSETS		
UTILITY PLANT AT COST		
Electric Plant In Service	\$123,886,356	\$119,154,137
Construction Work In Progress	<u>941,107</u>	<u>1,054,427</u>
	\$124,827,463	\$120,208,564
Less: Accumulated Provision for Depreciation	<u>37,037,600</u>	<u>33,713,582</u>
	<u>\$87,789,863</u>	<u>\$86,494,982</u>
OTHER PROPERTY & INVESTMENTS AT COST OR STATED VALUE		
Investments in Associated Organizations	\$21,138,065	\$20,598,727
Notes Receivable	59,221	152,474
Other Investments	<u>26,052</u>	<u>25,932</u>
	<u>\$21,223,338</u>	<u>\$20,777,133</u>
CURRENT ASSETS		
Cash - General	\$558,362	\$372,169
Temporary Cash Investments	-	1,477,361
Available-for-Sale Investments	3,380,825	3,130,485
Notes Receivable - Current Portion	121,175	146,556
Accounts and Notes Receivable (Less Allowance for \$172,533 in 2017 and Uncollectibles of \$165,158 in 2016)	2,765,980	3,083,929
Accrued Unbilled Revenue	2,452,059	2,149,123
Material and Supplies	774,943	990,635
Other Current and Accrued Assets	<u>103,607</u>	<u>53,652</u>
	<u>\$10,156,951</u>	<u>\$11,403,910</u>
TOTAL ASSETS	\$119,170,152	\$118,676,025
EQUITIES AND LIABILITIES		
LONG-TERM DEBT		
RUS Rural Development Notes Less Current Maturities	\$33,320	\$57,396
CFC Mortgage Notes Less Current Maturities	21,198,114	23,507,502
CoBank Mortgage Notes Less Current Maturities	<u>30,698,204</u>	<u>31,336,180</u>
	\$51,929,638	\$54,901,078
NON-CURRENT LIABILITIES		
Accumulated Provision for Pensions and Benefits	<u>\$2,181,300</u>	<u>\$1,403,500</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$2,978,013	\$2,857,628
Current Portion of APBO	267,200	190,200
CFC Line of Credit	900,000	-
Accounts Payable - Purchased Power	2,287,131	2,213,658
Accounts Payable - Other	483,700	534,886
Consumer Deposits	154,674	114,758
Accrued Employee Benefits	524,902	329,343
Accrued Interest	114,221	116,467
Over-collected Power Cost	181,824	177,626
Other Accrued Expenses	<u>94,481</u>	<u>96,900</u>
	<u>\$7,986,146</u>	<u>\$6,631,466</u>
DEFERRED CREDITS	<u>\$977,609</u>	<u>\$1,042,679</u>
EQUITIES		
Memberships	\$68,145	\$67,495
Patronage Capital	51,156,713	48,893,247
Other Equities	3,388,932	2,835,047
Other Comprehensive Income	<u>1,481,669</u>	<u>2,901,513</u>
	<u>\$56,095,459</u>	<u>\$54,697,302</u>
TOTAL EQUITIES AND LIABILITIES	\$119,170,152	\$118,676,025

WHAT WE OWN

WHAT WE OWE

NET WORTH

NEW BUSINESS: TRUSTEE ELECTIONS

District D



BILL WOOLSEY

A member of CEC since 1974, Bill Woolsey currently serves as Choctaw Electric Cooperative (CEC) trustee for District D. Elected to the board in 2015, Woolsey pushed immediately for greater transparency by voting for open board meetings that would allow members to attend and hear the ongoing business of their cooperative.

Woolsey says the cost of power remains the biggest challenge for CEC and its board. As trustee, he continues to work to encourage more efficient operations in all departments and reduce rates. By attending training classes, he has increased his knowledge and understanding of the complexities of the electric utility industry.

A retired schoolteacher, Woolsey taught construction technology to high school students for four years in Battiest and 35 years at Valliant. Woolsey also worked as a watermelon farmer and market manager for 42 years. The job taught him hard work and how to meet people on a personal and business level.

Woolsey's family has firsthand knowledge of Choctaw Electric. His wife, Kathy, is the daughter of the late Willis Brents, who began working for the co-op in the late 1940's clearing right of ways with an ax and a cross-cut saw.

Woolsey's goal is to make CEC the best electric cooperative in Oklahoma.

- 💡 *Member for 44 years*
- 💡 *Retired teacher*
- 💡 *Retired melon farmer*
- 💡 *Wife, Kathy*



Any member may run for the position of trustee if they meet the qualifications listed in Sec. 4.02 of the CEC bylaws.



Trustees are required to earn certification as a cooperative director through training and education.



Trustees must understand their roles and responsibilities and stay informed on key issues and trends in the electric utility industry.

NEW BUSINESS: TRUSTEE ELECTIONS

A member of Choctaw Electric Cooperative (CEC) for 26 years, Perry Thompson, Jr. wishes to serve on the board so he can be a voice for the people in District E. He has witnessed the improvements made by the CEC board in recent years and would like to be a part of the team in order to continue working toward the future of energy conservation. Thompson will bring a sense of business leadership to the board due to his experience of owning and operating his own business, AAA Pest Control in Hugo.

Thompson believes the most significant challenge facing his co-op is providing affordable and reliable electrical energy. As trustee

for CEC, he will work with the board and members to manage co-op resources and finances in a manner that provides the best outcome for the people. He believes a transparent relationship between the board and members will help encourage not only the quality of service, but also give trustees a broader understanding of cooperative members. Thompson will strive to create a team that will work toward the betterment of conserving costs and creating solutions for members.

Thompson and his wife, Tammy, live in Hugo. His community service includes serving on the Choctaw County Livestock Board and the Industrial Board of Hugo.

District E



PERRY THOMPSON

-  *Member for 26 years*
-  *Lives in Hugo*
-  *Owens AAA Pest Control*
-  *Wife, Tammy*

 = 67 <i>Total number of CEC employees.</i>	 281 <i>Total number meters per employee.</i>	 4% <i>CEC's growth in meters over the past five years.</i>
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NEW BUSINESS: TRUSTEE ELECTIONS

District F



NORM RANGER

Elected to the Choctaw Electric Cooperative (CEC) board of trustees in 2015, Norm Ranger believes CEC faces two primary challenges: regaining the trust of co-op members and improving service reliability through continuous right of way maintenance. Ranger serves on the board because, as a longtime poultry grower, he understands the importance of reliable electric service and believes he can use his experience and education to make sound decisions for co-op members whose livelihoods depend on CEC.

Since his election to the board, Ranger has received many hours of training in the electric cooperative business model. He is two hours shy of earning his "gold" rating as a cooperative trustee. Professional training and networking with other trustees from across the country are crucial to keeping trustees on

the cutting edge of electric distribution technology.

As trustee, Ranger continues to work to streamline CEC costs while maintaining the co-op's commitment to providing fair, reliable and dependable service to all members. He also encourages the co-op to explore new possibilities, such as delivering fiber-based broadband internet service to members.

Ranger and his wife, Margaret, live in Idabel. He has belonged to CEC for 41 years. An alumnus of Southeastern Oklahoma State University, Ranger also serves on the board of the Kiamichi Technology Center and is a member of his church finance committee. He is past president of the Oklahoma Contract Poultry Growers Association, past member of the National Contract Poultry Growers Association and is a former insurance adjuster.

💡 *Member for 44 years*

💡 *Lives in Idabel*

💡 *Poultry grower*

💡 *Wife, Margaret*

SERVICES

CEC's **SmartHub** makes it easy for members to check their usage, pay bills online, view account history and more.

CEC's online **outage map** provides details on the number of outages in your area and allows you to track the restoration process in real time.

CEC **energy efficiency loans** and CEC's Energy Partners home energy evaluations help you find ways to lower your bill.

NEW BUSINESS: TRUSTEE ELECTIONS

Debbie Cody and her husband, Bill, live in Fort Towson and have been members of Choctaw Electric Cooperative (CEC) for more than 30 years. Cody's family has lived and worked in southeast Oklahoma for five generations. Her uncle Bill Easterwood played a crucial role in overturning the CEC board in 1982. He then served as CEC trustee for 15 years.

He taught Cody the importance of integrity, hard work, openness, and transparency and these values prompted her to get involved in the CEC petition drive. She served on the core group to elect reform-minded trustees to the CEC board. A documentary about the CEC reform movement listed Cody as one of four heroes who stepped forward. She also served on the CEC bylaw committee and helped

bring about many sweeping reforms including term limits, mail-in ballots, net metering for solar, competitive bidding on contracts and services, and posting board minutes online. She has attended many board meetings where she has learned more about the responsibilities of serving on the board.

Cody believes CEC has made a lot of progress in recent years, but there is more work to be done. As trustee, she will work to get the membership more involved in their co-op, improve communications within the district, and work to find ways to save money. Her vision for CEC is to provide the best possible service at the lowest price; for members to have a better relationship with their elected trustees; and to reduce blinks and outages through cleared right-of-way.

District F



DEBBIE CODY

💡 *Member for 30 Years*

💡 *Lives in Fort Towson*

💡 *Bylaw reformer*

💡 *Husband, Bill*

CEC supports local youth through programs such as the Electric Cooperative **Youth Tour**, **Energy Camp**, and **CEC Kilowatt Kid's Camp**.

CEC's **energy curriculum for schools** provides free materials and instruction for teaching kids about electricity and conservation.

CEC's **focus on safety** offers safety programs for classrooms and organizations and qualified CPR training for nonprofit groups.

NEW BUSINESS: PROPOSED BYLAW AMENDMENTS

Text appearing in green shows additions to the bylaws. Text appearing in red with strike-through is language to be deleted.

1

ARTICLE I: MEMBERSHIP

SECTION 1.06 PURCHASE OF ELECTRIC POWER AND ENERGY

~~(a) In an effort to promote renewable energy, the Cooperative shall, at minimum,~~

~~i. credit the Member for any/all excess kilowatt hours at the retail rate~~

~~ii. Allow any/all excess kilowatt hours to be credited to the next billing period for 12 months.~~

~~iii. Allow the Member to designate the starting month of the 12-month billing period.~~

(c). Recognizing the increase in and presence of renewable energy resources, the Cooperative's Board of Trustees, acknowledging its fiduciary responsibilities to all members of the Cooperative, will develop rates, service rules and regulations, and policies which treat each case on an individual and non-discriminatory basis, balancing the interests of individual members who want to install renewable energy facilities with the overall financial good of the entire membership.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

c. Allows the Board of Trustees to make sure rates remain fair to all members on a non-discriminatory basis.

2

ARTICLE III: MEETINGS OF MEMBERS

SECTION 3.03 NOTICE OF MEMBER MEETINGS

Written or printed notice of the place, day and hour of the meeting and, in the case of a special meeting or of an annual meeting at which business requiring special notice is to be transacted, the purpose or purposes of the meeting shall be delivered to each member not less than ten (10) days nor more than twenty-five (25) days prior to the date of the meeting, by any reasonable means, by the Secretary of the Board.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

Clarifies which Secretary is being referenced.

3

ARTICLE IV: TRUSTEES

SECTION 4.02 (B) (C) (D) 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 an employee of the Cooperative or;

(b) is not a member of the Cooperative for at least 1 (one) year and receiving service at his

PROPOSED BYLAW AMENDMENTS

Text appearing in green shows additions to the bylaws. Text appearing in red with strike-through is language to be deleted.

primary residential abode ~~or~~ within the district which he or she is to represent;

~~(c) is not a bona fide resident of the particular district which he is to represent or;~~

~~(d) (c) is not at least twenty-one (21) years of age;~~

(d) does not have at least a high school diploma or GED equivalent; ~~for those individuals born in 1950 or thereafter;~~

(e) 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;~~

4

ARTICLE IV: TRUSTEES

SECTION 4.02 (E) AND (F) 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:

~~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 plead guilty to a felony or who has plead nolo contendere to a felony charge;

(f) 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;

(g) is a convicted felon or who has plead guilty to a felony or who has plead nolo contendere to a felony charge.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

- (b) Added district representation
- (c) Deleted language and repositioned age requirement to place in consecutive order.
- (d) Deleted "individuals born in 1950 or thereafter."
- (e) ineligibility for those in competing enterprise repositioned from (d) to place subsection in consecutive order. Deleted business language concerning sales of electrical, plumbing, fixtures or supplies.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

(e) and (f) repositioned to place subsection in consecutive order. No change in language

AMENDMENTS CONT'D NEXT PAGE ▶

PROPOSED BYLAW AMENDMENTS, CONT'D

5

ARTICLE IV: TRUSTEES

SECTION 4.02 (G) 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:

~~(g) (h) 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.~~

(i) The board will declare a vacancy exists if a trustee does not attend 75% of the regularly

scheduled monthly meetings in a consecutive 12-month period starting from election date.

(j) 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.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

(g) repositioned to (h) to place subsection in consecutive order.

Deleted OAEC and NRECA programs as a condition for board certification and effective

PROPOSED BYLAW AMENDMENTS, CONT'D

7

ARTICLE IV: TRUSTEES

SECTION 4.06 NOMINATIONS

Not less than sixty days (60) before the opening of the annual meeting of the Cooperative each year, all candidates and nominees for nominations to the office of the trustee shall be by a petition signed by twenty-five (25) members of the voting district for which office of the trustee shall expire and said petition shall be filed with the Secretary of the Board. All candidates and nominees must file a signed statement of intent with the Secretary of the Board. The secretary shall thereupon cause the name of the candidate and his district to be published in the next issue of the Cooperative newsletter or by any other appropriate means, which will inform the membership of the name of the candidate and his district.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

Clarifies which Secretary is being referenced.

8

ARTICLE IV: TRUSTEES

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 the members. The per diem basis of payment is calculated at \$550, for the first per

AMENDMENTS CONT'D NEXT PAGE ▶

date. OAEC and NRECA certification classes give the Board of Trustee the knowledge and skills necessary to fulfill their obligations and responsibilities to CEC.

(i) Repositioned from Section 4.08. Added "starting from election date."

(j) Last paragraph of (g) repositioned to place subsection in consecutive order. No change in wording.

6

ARTICLE IV: TRUSTEES

SECTION 4.04 TENURE

If for any reason an election of trustees shall not be held at an annual meeting of the members duly fixed and called pursuant to these Bylaws, such election may be held at a subsequently held special meeting or at the next annual meeting of the members. No member shall serve as a trustee for more than four (4) terms.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

Added the word "meeting" to correct a grammar error.

PROPOSED BYLAW AMENDMENTS, CONT'D

diem each month and then \$50 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 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. Trustees will get the current IRS rate for food.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

Added IRS rate for food. The IRS rate for food is unclear.

9

ARTICLE V: MEETING OF TRUSTEES

SECTION 5.01: MEMBER RIGHT OF ATTENDANCE

Section 5.01 Agenda

Agenda must be posted within five (5) business days.
 a. In the event of an emergency, the Board may meet in good faith and must provide notice in as much time as possible to the membership.

~~Section 5.01~~ Section 5.02 Member Right of Attendance
 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.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

Section 5.01 Repositioned to 5.02 as Member Right of Attendance.

Article I Section 1.10 repositioned to 5.01 and named Agenda. No change in wording.

10

ARTICLE VI: OFFICERS, MISCELLANEOUS SECTION 6.10: CEO/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, who must reside in one of the counties the Cooperative serves. 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.

(a) The Choctaw Electric Board of Trustees may give the Chief Executive Officer/General Manager no greater than 5% increase in salary or a \$10,000 bonus annually. The Board of Trustees is at their discretion to give, either the salary raise, the bonus or nothing.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

PROPOSED BYLAW AMENDMENTS, CONTD

Rationale for Proposed Revisions

CEO/General Manager required to live in a county served by CEC.

- a. Removes administrative responsibilities of the elected Board of Trustees.

11

ARTICLE XV: AMENDMENTS

SECTION 15.01 GENERAL PROVISIONS

Each proposed amendment must be examined by an attorney selected by the Co-op to determine if it violates any state or federal laws. If it violates law it will be returned to the member who proposed it within thirty (30) days for suggested revision to allow conformance to state and federal law. The revised amendment should be returned to Co-op headquarters no less than forty-five (45) days prior to the election. ~~The revised amendment will be submitted for a majority vote of the members at the election; PROVIDED FURTHER, The Board of Trustees shall not cause any proposed By-Law change to be noticed or acted upon, or permit any amendment to a proposed By-Law change to be acted upon, if it determines that such, if adopted, would be illegal or a legal nullity.~~

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

The amendment removes language that allows the Board of Trustees to remove illegal proposed amendments that violate state or federal law.

12

ARTICLE XV: AMENDMENTS

SECTION 15.01: GENERAL PROVISIONS

Each proposed amendment must be examined by an attorney selected by the Co-op to determine if it violates any state or federal laws; and if any proposed amendments will have an adverse financial impact on the Cooperative, the amendment must be approved by a majority of the Cooperative's Board of Trustees. If it violates law it will be returned to the member who proposed it within thirty (30) days for suggested revision to allow conformance to state and federal law. The revised amendment should be returned to the Co-op headquarters no less than forty-five (45) days prior to the election. The revised amendment will be submitted for a majority vote of the members at the election; PROVIDED FURTHER, the Board of Trustees shall not cause any proposed By-Law change to be noticed or acted upon, or permit any amendment to a proposed By-Law change to be acted upon, if it determines that such, if adopted, would be illegal or a legal nullity.

The Board of Trustees

- Approves
- Disapproves
- Is Neutral

Rationale for Proposed Revisions

Allows the Board of Trustees to have the opportunity to remove proposed amendments that will have a negative financial impact on the cooperative.

REMEMBER, YOUR VOTE COUNTS. PLEASE VOTE IN YOUR COOPERATIVE ELECTIONS.

SAMPLE BALLOT

Below is a sample of the actual ballot for CEC’s upcoming elections. Please note: This is a sample only and is not valid for use in your cooperative elections.

Annual Meeting Proposed Bylaw Amendments Ballot For each Proposed Bylaw Amendments, cast your vote to Approve or Disapprove			
		Approve	Disapprove
1	Article 1 Section 1.06 Membership c. Allows the Board of Trustees to make sure rates remain fair to all members on a non-discriminatory basis.		
2.	Article III Section 3.03 Notice of Member Meeting Clarifies which Secretary is being referenced.		
3.	Article IV Trustees Section 4.02 (b) (c) (d) Qualifications (b) Added district representation. (c) Deleted language and repositioned age requirement to place subsection in consecutive order. (d) Deleted “individuals born in 1950 or thereafter”. (e) Ineligibility for those in competing enterprise repositioned from (d) to place subsection in consecutive order. Deleted business language concerning sales of electrical, plumbing, fixtures or supplies.		
4.	Article IV Trustees Section 4.02 (e) and (f) Qualifications (e) and (f) repositioned to place subsection in consecutive order. No change in language.		
5.	Article IV Trustees Section 4.02 (g) (g) repositioned to (h) to place subsection in consecutive order. (g) Deleted Rural OAEC and NRECA programs as a condition for board certification and effective date. (i) Repositioned from Section 4.08. Added “starting from election date”. (j) Last paragraph of (g) repositioned to place subsection in consecutive order. No change in wording.		
6.	Article IV Trustees Section 4.04 Tenure Added the word “meeting” to correct a grammar error.		
7.	Article IV Trustees Section 4.06 Nominations Clarifies which Secretary is being referenced.		
8.	Article IV Trustees Section 4.10 Compensation, Expenses, Indemnification Added IRS rate for food. The IRS rate for food is unclear.		
9.	Article V Meeting of Trustees Section 5.01 Member Right of Attendance Article I Section 1.10 repositioned to 5.01 and named Agenda. No change in wording. Section 5.01 repositioned to 5.02 as Member Right of Attendance.		
10.	Article VI Officers, Miscellaneous Section 6.10 CEO/General Manager CEO/General Manager required to live in a county served by CEC. (a) The CEO may be given up to a 5% increase in salary or a \$10,000 bonus annually.		
11.	Article XV Amendments Section 15.01 General Provisions The amendment removes language that allows the Board of Trustees to remove illegal proposed amendments that violates state or federal law.		
12.	Article XV Amendments Section 15.01 General Provisions Allows the Board of Trustees to have the opportunity to remove proposed amendments that will have a negative financial impact on the cooperative.		

TRUSTEE DISTRICT F
You May Vote for One (1) Candidate

_____ Norm Ranger _____ Debbie Cody

CEC VOTING PROCESS AND ELECTIONS

TRUSTEE ELECTIONS

Step 1.

Candidates for CEC trustee must file to run at least 60 days prior to the annual meeting. Candidates must submit a petition signed by at least 25 members living in their district.

Step 2.

A voting packet containing information on trustee candidates and proposed bylaw amendments is mailed to all CEC members by 30 days prior to the CEC Annual Meeting. The packet includes a mail-in ballot for members who cannot attend the meeting.

Step 3.

Mail-in ballots must be received at EBallot no later than one day prior to the CEC Annual Meeting.

Step 4.

Members may cast ballots in person at the CEC Annual Meeting. Election results are announced at the end of the meeting.

Details on trustee elections and the process involved in amending your cooperative bylaws are published in Article IV and Article XV of the CEC bylaws. Copies of the bylaws are available at CEC offices in Hugo, Antlers and Idabel, and online at www.choctawelectric.coop.

BYLAW AMENDMENTS

Step 1.

Proposed amendment(s) to the CEC by-laws must be submitted 90 days prior to the CEC Annual Meeting.

Step 2.

Proposed amendment (s) submitted to an attorney for review.

Step 3.

Attorney reviews amendment(s) to determine legality and returns his comments within 30 days to the member.

Step 4.

CEC member revises proposed amendment(s) based on attorney's recommendations and presents it to the attorney for second review no less than 45 days prior to the election.

Step 5.

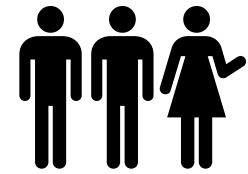
If approved, proposed amendment(s) placed on the ballot and included in the voting packet mailed to members 30 days prior to the CEC Annual Meeting.

Step 6.

Members may cast ballots in person at the CEC Annual Meeting. Election results are announced at the end of the meeting.

OUR GUIDING PRINCIPLES

As a member-owned cooperative, Choctaw Electric upholds certain principles that set us apart from other businesses. These cooperative principles help ensure co-ops everywhere maintain a local focus and prioritize their decisions based on what is best for their membership. When you wonder why your co-op sends kids to Washington, D.C., or requires trustees to advance their knowledge of electric utilities through training, the answer lies in these Seven Cooperative Principles.



Choctaw Electric is one of 30 member-owned electric cooperatives in Oklahoma. Today, more than 900 electric co-ops serve roughly three-quarters of the U.S. land mass.

1 OPEN & VOLUNTARY MEMBERSHIP. Membership in a cooperative is open to all persons who can reasonably use its services and stand willing to accept the responsibilities of membership, regardless of race, religion, gender, or economic circumstances.

2 DEMOCRATIC MEMBER CONTROL. Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Elected representatives (directors/trustees) are elected from among the membership and are accountable to the membership. In primary cooperatives, members

have equal voting rights (one member, one vote); cooperatives at other levels are also organized in a democratic manner.


3 MEMBERS' ECONOMIC PARTICIPATION. Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital remains the common property of the cooperative. Members allocate surpluses for any or all of the following purposes: developing the cooperative; setting up reserves; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4 AUTONOMY & INDEPENDENCE. Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control as well as their unique identity.

5 EDUCATION, TRAINING & INFORMATION. Education and training for members, trustees, CEOs, and employees help them contribute to the development of their cooperatives. Communicating the nature and benefits of co-ops with the general public and opinion leaders,

What is your role as a cooperative member?
Each consumer of Choctaw Electric Cooperative is a member and has the right to:

- Have a vote in the affairs of the cooperative
- Elect directors to serve on a board of trustees
- Receive an allocated "margin" in the form of capital credits



helps boost cooperative understanding.

6 COOPERATION AMONG COOPERATIVES. By working together through local, national, regional, and international structures, cooperatives improve services, bolster local economies, and deal more effectively with social and community needs.

7 CONCERN FOR COMMUNITY. Cooperatives work for the sustainable development of their communities through policies supported by the membership.

SHARE THE VISION

2018 Annual Meeting

Please join us!

Saturday, September 22, 2018
McCurtain County Fairgrounds, Idabel

SCHEDULE OF EVENTS

8:00am	Vendors and Events for Children open
8:00am to 10:00am	Registration and Voting
8:45am and 9:30am	Prize Drawings Drawing for Girls & Boys Bicycles and iTunes gift card
10:00am	Final Call for Ballots.....Frank Wolf, CEC Attorney Welcome & Call to Order.....Brent Franks, President Posting of the Colors.....Boy Scouts/Valliant Troop 6332 National Anthem.....Terah Wright, CEC Member Invocation.....Phillip Conner, Pastor/Lukfata Baptist Church Declaration of Quorum.....Mike Brewer, Secretary/Treasurer Reading of Official Notice of Meeting & Proof of Mailing.....Mike Brewer Minutes of 2017 Annual Meeting.....Mike Brewer, Secretary/Treasurer Financial Report.....Mike Brewer, Secretary/Treasurer President's Report.....Brent Franks, President Manager's Report.....Kooney Duncan, CEO/General Manager Keynote Speaker.....Chris Meyers, General Manager/OAEC Announcement of Election Results.....Frank Wolf, CEC Attorney Old, New or Unfinished Business.....Brent Franks, President Adjournment of Meeting.....Brent Franks, President Grand Prize Drawing.....Kooney Duncan, CEO/General Manager

Program times are subject to change.

Choctaw Electric Cooperative
PO Box 758
Hugo, Oklahoma 74743

800-780-6486
580-326-6486
www.choctawelectric.coop