2017 Annual Meeting

Charged Up for the Future

Friday, June 9, 2017 | 1:00 P.M. | Shelby County 4-H Fairgrounds, Shelbyville, IL
Your neighbors serving as your cooperative’s directors

--- District 1 ---
Robert Holthaus
Stonington

--- District 2 ---
Bennie Clawson
Tower Hill
Secretary

--- District 3 ---
J. Mark Lash
Findlay
Treasurer

--- District 4 ---
Larry Durbin
Shelbyville

--- District 5 ---
Brian Halbrook
Shelbyville
Vice Chairman

--- District 6 ---
John M. Scott
Pana

--- District 7 ---
Brent Lively
Taylorville
Chairman
Agenda

National Anthem
Call to Order ............................................................................................................Brent Lively, Chairman
Invocation
Legal Call of the 79th Annual Meeting ...................................................................... Bennie Clawson, Secretary
Report on Board of Directors Appointment of Committee on Credentials
and Inspectors of Elections ...................................................................................... Brent Lively
Introduction of Scholarship Winners ........................................................................... Brent Lively
Report of Committee on Credentials Regarding Active Class A Members
Present to Establish a Quorum .................................................................................. Committee Chairman
Approval of Minutes of Previous Meeting ................................................................... Brent Lively
Chairman’s Report ........................................................................................................ Brent Lively
Treasurer’s Report ....................................................................................................... J. Mark Lash, Treasurer
Election of Directors .................................................................................................. Forrest Keaton, Attorney
President/CEO’s Report .............................................................................................. Josh Shallenberger, President/CEO
Report of Inspectors of Elections .............................................................................. Committee Chairman
Other Business
Door Prize Drawing ...................................................................................................... Josh Shallenberger
Adjournment

Official Meeting Notice

The annual meeting of the members of Shelby Electric Cooperative will be held at the Shelby County 4-H Fairgrounds in Shelbyville, Illinois, at 1:00 p.m. on Friday, June 9, 2017, to take action upon the following matters:

1. Approval of Minutes of 2016 annual meeting;
2. Presentation of reports of officers;
3. The election of two (2) directors; and
4. All other business which may come before the meeting or any adjournment or adjournments thereof.

In connection with the election of one director each from Districts 4 and 5 for a term of three years, the following members have been nominated by petition.

Nominees for Directors

Shelby Electric Cooperative
June 9, 2017 — Shelbyville, Illinois

<table>
<thead>
<tr>
<th>District #</th>
<th>Nominee</th>
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<tr>
<td>4</td>
<td>Larry Durbin, Shelbyville</td>
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<tr>
<td>5</td>
<td>Brian Halbrook, Shelbyville</td>
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District 4

(Vote for one)
(3-Year Term)

District 5

(Vote for one)
(3-Year Term)

Additional nominations for director may not be made from the floor at this meeting.

Dated at Shelbyville, Illinois, this 9th day of May, 2017.

Bennie Clawson, Secretary
Your electric cooperative has had a good year this past year. But, it has been one which has seen 107 years of knowledge, experience and service transition out of the organization into retirement. These talented professionals that had dedicated their working years to Shelby Electric will be missed. However, steps have been taken to ensure the Cooperative continues to meet the needs of you, the member/owner/consumer. We are in the service business and work exclusively for you.

At the Core

While we are always looking with an eye toward the future, we continue to recognize the importance of placing emphasis on why the Cooperative was formed in 1938 – to provide safe and reliable electric service at an affordable price. Therefore, our crews have spent much of their time this past year getting the organization away from hot-spotting its tree trimming and instead proactively working toward a 5-6 year vegetation management cycle. We appreciate the acceptance from the members of our efforts to achieve this goal, which will enhance reliability, reduce long-term maintenance expense and result in better service. Without your willingness to work with us toward this end, it would make things much more difficult than it’s been.

Further, this year has had outside crews continuing to maintain and upgrade the utility plant: poles, wires, transformers, special equipment such as voltage regulators and oil circuit reclosures, and metering as required and set forth in our periodic plan of work. Shelby’s ongoing pole change out program has demonstrated results in times of adverse weather, reducing the need to replace poles during these times and most importantly, keeping service to the members flowing. One of the large capital projects that the Cooperative intends to complete this year is the replacement and relocation of its Shelby substation. This comes on the heels of the replacement of its Neoga substation a couple of years ago. Each of these substations have been in service for over 60 years.

For those wanting to keep up-to-date on current happenings at Shelby Electric, I encourage you to visit our new website at www.shelbyelectric.coop, which has seen a complete overhaul after having the previous format in service for over a decade. The new website is mobile responsive and should be a nice compliment to the Shelby Electric SmartHub application, which we encourage you to download if you haven’t already. Your Cooperative also maintains an active Facebook page on which we share and interact with the membership.

Other Areas of Pride in Service

Shelby Energy, the Cooperative’s wholly-owned, for-profit subsidiary that has served members for the last 23 years, continues to make strides forward. We are keeping pace with technology in order to optimize our level of service, again recognizing the members are the reason we are here today. Having this business has allowed Shelby Electric to extend its relationship as a trusted partner to supply all of the members’ home energy needs. Additionally, synergistic benefits have resulted over time such as the whole-house generator program which affords Shelby Electric the ability to shed load at peak times. In exchange, the Cooperative provides members that have signed up for the interruptible program a better rate as a result of the savings to Shelby Electric. Ongoing service and maintenance of the home generator is another member benefit of this program.

Over the past year, PWR-net increased capacity on its core backhaul ring and has been upgrading broadcasting sites throughout the system. What does this mean for the membership? It gives those receiving broadband internet service from PWR-net greater bandwidth, or download and upload speeds, which translates to the ability to do what most households now find commonplace – stream online content of the members’ choosing. There has been a remarkable shift in how media is received over the last five years – one that has resulted in PWR-net’s need to transition into a second generation deployment of equipment. The performance of this new equipment has been exceptional in both speed and reliability.

Josh Shallenberger
President/CEO
Shelby Electric Cooperative
Charged Up for the Future

Just as much has changed in the last 20 years when it comes to how we send and receive information, similar transformation is occurring in the electric generation and delivery model. Your Cooperative stays abreast of these developments, recognizing the need for the distribution system is not going away in the foreseeable future. However, technologies, many of which are rooted in long-known principles, are being optimized and scaled to provide greater benefit. While we are mindful of the need to integrate renewable energy into the generation portfolio as part of the Cooperative’s all-of-the-above strategy, we also very carefully weigh the short-term effect on price to you – the end consumer. Similarly, as distributed generation is brought onto the system, we have been reviewing our policies and procedures to provide for its integration, all the while determining its effect on the system. The Cooperative has been working hard to provide solutions that will embrace these optimized technologies while being cognizant of the price impact to other members.
The Seventy-eighth Annual Meeting of the members of the Shelby Electric Cooperative was called to order by Chairman of the Board Brent Lively in the 4-H Auditorium at the Shelby County Fairgrounds, Shelbyville, Illinois, at 1:00 p.m., Friday, June 17, 2016. Following the playing of the National Anthem, the invocation was delivered by the Reverend Mark Sanders of the Shelby Christian Church in Shelbyville.

Secretary Bennie Clawson then read to the members the Legal Call of the Seventy-eighth Annual Meeting of members which was as follows:

LEGAL CALL

BENNIE CLAWSON, Secretary of Shelby Electric Cooperative, hereby reports that, at my direction, on the 17th day of May, 2016, a notice of the annual meeting of members of the Cooperative to be held on June 17, 2016 was deposited by or on behalf of the Cooperative in the United States Mail, with postage prepaid, addressed to each active Class A member of the Cooperative at the address of said active Class A member as it appears in the records of the Cooperative.

Dated: June 17, 2016
(SIGNED) BENNIE CLAWSON
Secretary

After the reading of the Legal Call, Chairman Lively introduced the Board of Directors, Duane Noland and other members of the staff of the Association of Illinois Electric Cooperatives, members of the staff of Prairie Power, Inc., and former directors of the Cooperative.

Chairman Lively reported that the following members of the Cooperative had been appointed by the Cooperative's Board of Directors to serve on the Credentials Committee:
Brian Halbrook, Chair
Bennie Clawson
Robert Holthaus

Chairman Lively reported that the following members of the Cooperative had been appointed by the Cooperative's Board of Directors to serve as Inspectors of Election:
Jessica Fox, Chair
Scott Jefson
Brian Bunton

Chairman Lively introduced Jade Bleskey of Shelbyville High School, Mallory Westrick of Taylorville High School, and Joanna Marley of Nokomis High School who were the winners of the Shelby Electric Cooperative scholarships and all of whom were in attendance.

Brian Halbrook, Chair of the Committee on Credentials delivered the report of the Committee, said report being as follows:

REPORT OF THE COMMITTEE ON CREDENTIALS OF THE 78th ANNUAL MEETING OF THE SHELBY ELECTRIC COOPERATIVE, JUNE 17, 2016

We, the undersigned members of the Credentials Committee appointed to serve for the 78th Annual Meeting of the Shelby Electric Cooperative, held June 17, 2016 at 1:00 o'clock p.m. (C.D.T.), do hereby certify as follows:

That we, and each of us, have examined the credentials of the active Class A members of the Shelby Electric Cooperative present for the 78th Annual Meeting, and report as follows:

That the total number of active Class A members present in person are 494;
That the total number of active Class A members presenting duly executed proxies are 0;
Making a total of 494 active Class A members present in person or by proxy.

Dated this 17th day of June, A.D. 2016.
Brian Halbrook, Chair
Bennie Clawson
Robert Holthaus
Members of the Credentials Committee

Chairman Lively declared a quorum to be present and the meeting open for the transaction of business.

Chairman Lively announced that written copies of the minutes of the Seventy-seventh Annual meeting of the members, held on June 19th, 2015, had been included in the notice of meeting and had also been made available to the members prior to the meeting and asked if there was a motion to approve the minutes as published. On motion of member Deborah Johnston, seconded by member Terry Maczura, the minutes as published were approved by vote of the membership.

Chairman Lively then delivered his report as Chairman of the Board of Directors of the Cooperative. He
indicated that he had several points, concerns, strengths, projects and accomplishments that he wanted to address with the members.

Chairman Lively noted that the Cooperative’s total margins in 2015 were $3.2 million, which was the result of both an increase in rates and cost containment. He noted that the Cooperative had retired $119,000 in capital credits by payments to the members. He reported that there was no new net borrowing during the year and that long-term debt had been reduced by $2.0 million in 2014 and by $1.2 million in 2015. He noted that PWR.net is now profitable and that Shelby Energy Company is breaking even. He reported that the goal is to have overall equity of 50%. He noted that the Cooperative has a great safety record with only minimal accidents.

Chairman Lively indicated that areas of concern are the push against coal-fired electric generation and the closure of Illinois electric generating facilities which will result in the importing of electricity from generating facilities in other states. He also noted a concern with future distributed generation.

Chairman Lively reported that the Cooperative employees are the true strength of the Cooperative and that the Board of Directors has an increasingly diverse membership but could be even more diverse.

Chairman Lively reported that current and future projects include a new Shelbyville substation and the upgrade of PWR.net facilities which will provide improved internet service.

Chairman Lively reported that the Board of Directors has recommended several changes to the bylaws, including term limits for directors, limitation on the consecutive years serving as Chairman of the Board of Directors, and required director education. He also noted activities within the Cooperative territory including Prairie Power, Inc.’s installation of the solar farm and the expansion of IHI Turbo America through an interest-free loan arranged by the Cooperative through the Rural Economic Development Loan & Grant program of the U.S. Department of Agriculture.

Chairman Lively recognized President & CEO Josh Shallenberger’s service to the Cooperative during the past year and noted that the Board of Directors had approved an extension to President & CEO Shallenberger’s contract. He encouraged the members to be involved and to participate in the Cooperative.

Chairman Lively then introduced the Cooperative Treasurer, J. Mark Lash, who reviewed the Annual Report as published. He reported that the Cooperative had annual revenues in 2015 of $33.2 million from the sale of electric service of which $20.3 million, or about 63 cents of every dollar of revenue, was paid for power supply. He reported that 2015 total margins were $3,217,552. He reported that the Cooperative assets were $65.4 million, that the Cooperative had $37.6 million in liabilities, and that the net value of the Cooperative was $27.8 million. He reported that the average Cooperative investment per member was $6,715 and that the average member investment in the Cooperative was $2,884, meaning that the Cooperative has invested 2.3 times as much to provide service to each member as the member has invested in the Cooperative. He reported that Shelby Energy Company, the Cooperative’s propane subsidiary, had over 2,000 customers and in 2015 had $2.1 million in sales. He reported that the number of customers of PWR-net, the Cooperative-owned wireless internet service provider, continues to grow and PWR-net is now profitable. He informed the members that copies of the Cooperative audit were available for those members that were interested in reviewing it.

After receiving the Report of the Cooperative Treasurer, on motion of member Katherine Stephens, seconded by member Mary Jo Riley, said Report was received and unanimously approved by vote of the membership.

At the request of Chairman of the Board Lively, the Cooperative’s attorney, Forrest Keaton, reviewed the proposed changes to the Cooperative’s bylaws that had been recommended by the Board of Directors. On motion made by member Betty Dawkins, seconded by member Samuel Strohl, and carried by voice vote, the following changes to the Cooperative’s bylaws were approved:

**Article I – Membership**

**Section 6. Joint Membership.**

Persons in a legally-recognized marriage or civil union may apply for a joint membership and subject to their compliance with the requirements set forth in Section 2 or Section 3 of this article, shall be accepted for such membership. The term “member” as used in these bylaws shall be deemed to include such persons holding a joint membership, and any provisions relating to the rights and liabilities of membership, without limiting the generality of the foregoing, the effect of the hereinafter specified actions by or in respect to the holders of the joint membership shall be as follows:

*Continued on page 6*
United States mail, addressed to the
member at his address as it appears on
the records of the Cooperative, with
postage thereon prepaid. In case of a
joint membership, notice given to ei-
ther person in such joint membership
shall be deemed notice to both joint
members. The failure of any mem-
ber to receive notice of an annual or
special meeting of the members shall
not invalidate any action which may be
taken by the members at any such
meeting.

Section 4. Quorum. At least
one hundred fifty (150) of the active
Class A members present in person or
represented by proxy shall constitute a
quorum for the transaction of business
at all meetings of the members. In case
of a joint membership, the presence
of either member in such joint
membership, or both, shall be
regarded as the presence of one mem-
ber. If less than a quorum is present at
any meeting, a majority of those pres-
ent in person or represented by proxy
may adjourn the meeting from time
to time without further notice. For the
purpose of establishing a quorum at
any meeting of members, the Board of
Directors shall provide for members
to present, on the date of the meeting,
such credentials as may be required
to determine membership and to
register the member’s attendance at
the meeting prior to the call to order
of the meeting, and such members so
registered prior to the call to order of
the meeting shall be deemed present
throughout the meeting.

Section 5. Voting. Except as
provided in Article I Section 1, only
active Class A members who have
been Class A members of the Coop-
erative for forty-five (45) days prior to
a meeting of members shall be entitled
to a vote at any meeting of the mem-
bers, and such active Class A member
shall be entitled to one (1) vote upon
each matter submitted to a vote at a
meeting of the members. At all meet-
ings of the members at which a quo-
rum is present all questions shall be
decided by a vote of a majority of the
members voting thereon in person or
by proxy, except as otherwise provided
by law, the articles of incorporation
of the Cooperative, or these bylaws.

If persons hold a joint membership
they shall jointly be entitled to one (1)
vote and no more upon each matter
submitted to a vote at a meeting of the
members. Subject to the provisions
contained in these bylaws for voting by
mail or through online internet voting,
for the purpose of election of directors
at a meeting of members, an active
Class A member who has registered
for the meeting shall be provided with
a written ballot bearing the names of
all persons who have been nominated
by petition in accordance with these
bylaws prior to the meeting of the
members, and said ballot may be cast
by the active Class A member on the
date of the meeting of members prior
to or during the meeting of members
until the voting is closed.

The Board of Directors, in its
discretion, may determine that vot-
ing for the election of directors or for
any other matter that may properly be
brought before a meeting of members
should be conducted exclusively by
written ballots submitted by mail or
through online internet voting, un-
less the laws of the State of Illinois,
the articles of incorporation, or these
bylaws provide otherwise. The Board
of Directors shall establish such rules
and procedures for the conduct of
such voting by mail or such online
internet voting, including the issuance
and counting of ballots, as will assure
the ability of members to vote in such

Article II – Meetings of Members

Section 3. Notice of Members’
Meeting. Written or printed notice
stating the place, day and hour of
the meeting and, in case of a special
meeting, the purpose or purposes for
which the meeting is called, shall be
delivered not less than five (5) days
nor more than sixty (60) days before
the date of the meeting or in the case
of a removal of one or more directors,
a merger, consolidation, dissolution or
sale, lease or exchange of assets not less
than twenty (20) days nor more than
sixty (60) days before the date of the
meeting, either personally or by mail,
by or at the direction of the Secretary,
or by the persons calling the meet-
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mailed, such notice shall be deemed
to be delivered when deposited in the
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Continued from page 5
(a.) The presence at a meeting of
member or both shall be regarded
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waiver of notice of meeting;
(b.) The vote of either separately or
both jointly shall constitute one
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(c.) A waiver of notice signed by
either or both shall constitute a
joint waiver;
(d.) Notice to either shall constitute
notice to both;
(e.) Expulsion of either shall termi-
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Section 4. Notice of Members’
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elections or on other matters and will protect the integrity of the voting process.

When voting by active Class A members on any matter is to be conducted by mail or through online internet voting: (a) the Board of Directors shall fix a Voting Date for the return of the written ballots or the submission of online internet votes and shall mail notice of the matter to be voted upon and a written ballot, if applicable, for the voting to each active Class A member not less than fourteen (14) days before the Voting Date, (b) no voting on such matter shall be conducted at the meeting of the members, and (c) the results of such voting shall be announced at the meeting of members. In lieu of return of the written ballot by the United States mail, an active Class A member may deliver (personally, by courier or other means of physical delivery) the ballot to the Cooperative office by the Voting Date. A Class A member submitting a written ballot by mail or by delivery or voting through an online internet procedure shall comply with rules and procedures for voting and ballot certification adopted by the Board of Directors and included with the notice.

The term “Voting Date”, as used in these bylaws, shall mean the date and time by which a properly completed written ballot must be returned to and received by the Cooperative or a properly submitted online internet vote must be cast in order for such ballot or online internet vote to be included in the voting on the matter to be determined.

Section 6. Proxies and Persons Acting in Representative Capacities. At all meetings of members, an active Class A member may vote by proxy executed in writing by another active Class A member, provided however, only active Class A members can cast a proxy vote of another active Class A member. Such proxy shall be filed with the Secretary before or at the meeting. No proxy shall be voted at any meeting of the members unless it shall designate the particular meeting at which it is to be voted, and no proxy shall be voted at any meeting other than the one so designated or any adjournment of such meeting. No active Class A member shall vote as proxy for more than one (1) absent active Class A member at any meeting of the members. No proxy shall be valid after sixty (60) days from the date of its execution. The presence of an active Class A member at a meeting of the members, shall entitle him to vote at such meeting in the same manner and with the same effect as if he had not executed a proxy, and said proxy shall be deemed revoked.

In case of a joint membership a proxy may be executed by either person holding such joint membership. The presence of either person holding a joint membership at a meeting of the members shall revoke a proxy theretofore executed by either of them, and such joint member or members shall be entitled to vote at such meeting in the same manner and with the same effect as if a proxy had not been executed.

Notwithstanding the foregoing, if a member is an entity, such as a firm, association, corporation, partnership, limited liability company, or body politic, such firm, association, corporation, partnership, limited liability company, or body politic may designate an officer, director, partner, member, or agent of the firm, association, corporation, partnership, limited liability company, or body politic by bylaws or by action of the governing body to act on behalf of such firm, association, corporation, partnership, limited liability company, or body politic at meetings of members. Furthermore, the duly appointed executor, administrator, guardian, or conservator of an estate which is a member or whose ward, disabled person, or incompetent person is a member; the duly appointed attorney-in-fact under a power of attorney for the property of a member; or the trustee of a trust which is a member may act on behalf of such estate, ward, disabled person, incompetent person, principal or trust at meetings of members. The person seeking to act in any of the capacities set forth in this paragraph shall present acceptable evidence of such authority to the Board of Directors at or prior to the meeting of members.

Article III – Directors

Section 3. Qualifications and Term of Office. At each annual meeting of the members, directors shall be elected as hereinafter provided, by ballot, by and from the active Class A members who are natural persons, to serve for a term of three (3) years or until their successors shall have been elected and shall have qualified, subject to the provisions of these bylaws with respect to the removal of directors. The seven Directors shall be divided into three classes; Class 1, consisting of two Directors to be elected from Director Districts 3 and 6; Class II, consisting of two Directors to be elected from Director Districts 4 and 5; and Class III, consisting of three Directors to be elected from Director Districts 1, 2 and 7, with one Class being elected each year.

Continued on page 8
Except as provided herein, no member shall be eligible to become or remain a director or to hold any position of trust in the Cooperative (a) who is not a bona fide resident in the Director District established under Section 2 of this Article from which he or she is to be or has been elected, (b) who is not at least eighteen (18) years of age, (c) who, at the time of an election of directors held after June 17, 2016, has completed six (6) or more three-year terms on the board of directors, or (d) who is in any way employed by or financially interested in (i) any business or enterprise engaged in the sale of any form of energy to the Cooperative (other than any form of energy that the Cooperative is required by law to purchase) or to any of the Cooperative’s subsidiaries, members or consumers, (ii) any business or enterprise engaged in the delivery of any form of energy to the Cooperative or any of the Cooperative’s subsidiaries, members or consumers, (iii) any other business or enterprise primarily engaged in selling electrical appliances, fixtures or supplies to the Cooperative or to any of the Cooperative’s subsidiaries, members, or consumers, and no person shall take or hold office as a director who is the incumbent of or candidate for an elective public office in connection with which a salary is paid excluding township offices or school offices. Provided, however, that when a director moves his or her residence from the Director District served but is still within a 75 mile radius from the Cooperative's Shelbyville headquarters and remains a member of the Cooperative, the director may continue to serve until the normal expiration of his or her term or until a regular or special meeting of the members, whichever comes first, at which time an election shall be held to fill the unexpired term of the director. Further, so long as the National Rural Electric Cooperative Association shall provide a director training and certification program, no director shall be eligible to be re-elected as a director, after having served three full terms on the board of directors, commencing with the election of directors in 2017, or thereafter, unless he or she has been certified by said National Rural Electric Cooperative Association as having successfully completed its course of training for rural electric cooperative directors. When a membership is held jointly by persons under a joint membership, either one, but not both, may be elected a director, provided, however, that neither one shall be eligible to become or remain a director or to hold a position of trust in the Cooperative unless both shall meet the qualifications hereinafter set forth. Upon establishment of the fact that a director is holding office in violation of any of the foregoing qualification requirements, the board of directors may remove such director from office by the affirmative vote of the majority of the total membership of the board of directors. Nothing in this section contained shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the board of directors.

Section 4. Nominations. Any natural person who is an active Class A member (but not any person acting in a representative capacity for a Class A member) may be nominated to serve as a director from the Director District in which the active Class A member resides by delivering to the Secretary a written petition signed by fifteen (15) or more active Class A members not less than sixty (60) days prior to the meeting. At the time of delivering the signed written petition to the Secretary, the active Class A member shall also deliver to the Secretary a completed Statement of Qualifications demonstrating that he/she is qualified to serve as a director under the terms and provisions of Article III, Section 3 of these bylaws.

The President/Chief Executive Officer and legal counsel for the Cooperative shall review all Statements of Qualifications of all nominees to confirm that each nominee meets the qualifications set forth in Article III, Section 3 of these bylaws.

The Secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and the nominations made by petition.

The members may, at any special meeting, called as hereinbefore provided, for the purpose of removing a director or directors, at which a director or directors is removed, elect a successor director or successors directors thereto who meet the qualifications set forth in Article III, Section 3 of these bylaws without compliance with the foregoing provisions with respect to nominations. Notwithstanding anything in this section contained, failure to comply with any of the provisions of this section shall not affect in any manner whatsoever the validity of any election of directors.

Section 5. Vacancies. Vacancies occurring in the board of directors shall be filled by a majority vote of the remaining directors. Directors so elected shall hold office for the remaining portion of the term of the director leaving the board of directors.
President Shallenberger reported that the Cooperative continues its efforts to increase the Cooperative’s equity and that it seeks to design its rates for members based on cost of service studies that identify and allocate capital and operating expenses to different categories of Cooperative members.

President Shallenberger stated that the Cooperative continues to examine its policies to insure financial stability. He also stated that the Cooperative embraces technology to move forward, noting the benefits that PWR-net provides to the Cooperative. He encouraged the members to take advantage of the SmartHub phone application for a variety of member account features and noted the availability of outage management information to members through either the SmartHub application or the Cooperative’s website.

President Shallenberger noted that an overriding goal is to keep the members and the Cooperative’s employees safe and that the Cooperative continues to receive high marks from its members in consumer satisfaction surveys.

President Shallenberger pointed out the following statistics. He noted that the Prairie State plant, in which Prairie Power, Inc. has an ownership interest, employs 600 people in southern Illinois and that the plant had a good year in 2015. He noted that, of 63 coal-fired plants in the United States with more than 500 megawatts of generating capacity, the Prairie State plant was ranked second overall for operational expense and ranked #1 in fuel expense.

He noted that the Cooperative had been successful in obtaining Rural Economic Development Loan & Grant program loans for the IHI Turbo America expansion. He reported that under that program, the loan funds provided to the Cooperative by the U.S. Department of Agriculture are, in turn, loaned to IHI Turbo America, and as loan repayments are received by the Cooperative from IHI Turbo America, the loan repayments are then passed through the Cooperative to the U.S. Department of Agriculture.

He reported that as a result of Prairie Power, Inc.’s installation of the 500-kilowatt solar farm, Prairie Power is creating a program called “Bright Options” which the Cooperative will be able to offer to its members. He indicated that more information would be available in future months.

He reported that Shelby Energy Company, the Cooperative’s propane gas subsidiary, provided more than $250,000 of positive benefit to the Cooperative’s finances during 2015.

He thanked those present for their membership and for attending the meeting of the member-owned Cooperative. He noted the importance of the members in the Cooperative’s governance process. He also noted that this year’s director elections for both District 3 and District 6 were uncontested, but balloting by mail was, nevertheless, conducted. He indicated that if, in the future, there were uncontested director elections, the Cooperative would look at the potential for substantial savings in election costs while still meeting the election requirements set forth in the Cooperative’s governing documents.

There was no old business.

There was no new business.

At the request of Chairman Lively, the Cooperative Attorney, Forrest Keaton, took charge of the meeting for the election of new directors. He reported that nominating petitions with
the requisite number of signatures by Class A members of the Cooperative and completed Statements of Qualification as required by the Cooperative’s bylaws had been received by the Cooperative’s Secretary from the following persons not less than 60 days prior to the date of the annual meeting:

DISTRICT 3:
J. Mark Lash Findlay

DISTRICT 6:
John M. Scott Pana

He reported that the names of all persons who had delivered the duly signed petition and Statement of Qualifications to the Cooperative Secretary had been placed on a written ballot. He reported that, in accordance with the bylaws and the Cooperative’s policy on voting by mail, voting had been conducted exclusively by mail with ballots mailed to each active Class A member on May 27, 2016 and a Voting Date established by the Board of Directors as Friday, June 10, 2016 at 4:00 p.m.

Attorney Keaton called on Chairperson Jessica Fox of the Inspectors of Elections to read the Certificate of Inspectors of Election, which was as follows:

CERTIFICATE OF INSPECTORS OF ELECTIONS

We, the undersigned, the duly appointed Inspectors of Elections, for the Annual Meeting of the members of Shelby Electric Cooperative held on the 17th day of June, 2016 do hereby certify that the election of Directors was fairly and impartially conducted; that we received the votes of the members by ballot and counted the votes cast; and that the following members received the number of votes set opposite their respective names, to-wit:

DISTRICT 3: (To serve for a term of three years – One (1) to be elected from this district)

<table>
<thead>
<tr>
<th>NAME</th>
<th>NO. OF VOTES RECEIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Mark Lash</td>
<td>692</td>
</tr>
<tr>
<td>Spoiled Ballots</td>
<td>17</td>
</tr>
</tbody>
</table>

DISTRICT 6: (To serve for a term of three years – One (1) to be elected from this district)

<table>
<thead>
<tr>
<th>NAME</th>
<th>NO. OF VOTES RECEIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>John M. Scott</td>
<td>678</td>
</tr>
<tr>
<td>Spoiled Ballots</td>
<td>13</td>
</tr>
</tbody>
</table>

We further certify that the following persons were duly elected as Directors to hold office for a term of three years or until their successors shall have been elected and qualified:

DISTRICT 3: J. Mark Lash
DISTRICT 6: John M. Scott

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 16th day of June, 2016.

Jessica Fox, Chair (SEAL)
Scott Jefson (SEAL)
Brian Bunton (SEAL)

Chairman Lively declared that J. Mark Lash and John M. Scott were duly elected to the Board of Directors for three-year terms.

On motion duly made by member Charles Bishop, seconded by member Ellen Menin, the meeting was adjourned by voice vote at 2:10 p.m.

Prior to the commencement of the Annual Meeting, the name of each member in attendance was placed in contention for the drawing for attendance prizes. Prizes were awarded to members with the grand prize being $250 Shelby Electric Dollars which was won by Thomas Graham.
Members’ financial report

for the year ended December 31, 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of electric plant system including work in progress</td>
<td>$ 67,156,256</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(33,506,369)</td>
</tr>
<tr>
<td>Net electric plant system</td>
<td>33,649,887</td>
</tr>
<tr>
<td>Cash on hand and in the bank</td>
<td>2,942,054</td>
</tr>
<tr>
<td>Investments in associated organizations</td>
<td>10,165,679</td>
</tr>
<tr>
<td>Investments in non-utility property</td>
<td>257,588</td>
</tr>
<tr>
<td>Other investments and subordinated certificates</td>
<td>11,559,927</td>
</tr>
<tr>
<td>Receivable for electricity sales and material sold</td>
<td>4,360,898</td>
</tr>
<tr>
<td>Stock materials and supplies</td>
<td>809,168</td>
</tr>
<tr>
<td>Prepaid expenses, deferred charges and miscellaneous assets</td>
<td>4,271,457</td>
</tr>
<tr>
<td>Total Owned</td>
<td>$ 68,016,658</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND MEMBERS’ EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowed from and owed to CFC</td>
<td>$ 29,326,051</td>
</tr>
<tr>
<td>Borrowed from and owed to USDA</td>
<td>2,777,829</td>
</tr>
<tr>
<td>Other Long Term Liabilities</td>
<td>1,548,131</td>
</tr>
<tr>
<td>Total Debt</td>
<td>33,652,011</td>
</tr>
<tr>
<td>Owed for materials, credit balances on consumers accounts, advanced consumer underground deposits, taxes, &amp; etc.</td>
<td>2,957,174</td>
</tr>
<tr>
<td>Consumer deposits paid</td>
<td>55,658</td>
</tr>
<tr>
<td>Deferred credits and miscellaneous liabilities</td>
<td>605,973</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$ 37,270,816</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MEMBERS’ EQUITY (NET WORTH)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Donated capital</td>
<td>$ 2,401,393</td>
</tr>
<tr>
<td>Patronage capital and other margins</td>
<td>28,397,904</td>
</tr>
<tr>
<td>Other equities</td>
<td>(53,455)</td>
</tr>
<tr>
<td>Total Members’ Equity</td>
<td>30,745,842</td>
</tr>
<tr>
<td>Total Liabilities and Members’ Equity (Net Worth)</td>
<td>$ 68,016,658</td>
</tr>
</tbody>
</table>
### Charged Up for the Future

**Interesting information about your cooperative’s progress and what it means to local business**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total electric plant</td>
<td>67,096,728</td>
<td>64,897,662</td>
<td>63,094,055</td>
<td>60,532,071</td>
<td>58,229,775</td>
</tr>
<tr>
<td>Total miles of line</td>
<td>2,196</td>
<td>2,194</td>
<td>2,191</td>
<td>2,189</td>
<td>2,187</td>
</tr>
<tr>
<td>Average plant investment per mile</td>
<td>30,554</td>
<td>29,580</td>
<td>28,797</td>
<td>27,653</td>
<td>26,625</td>
</tr>
<tr>
<td>Average number of customers served</td>
<td>9,670</td>
<td>9,665</td>
<td>9,834</td>
<td>9,963</td>
<td>9,940</td>
</tr>
<tr>
<td>Average number of consumers per mile of line</td>
<td>4.40</td>
<td>4.41</td>
<td>4.49</td>
<td>4.55</td>
<td>4.55</td>
</tr>
<tr>
<td>Average plant investment per consumer served</td>
<td>6,939</td>
<td>6,715</td>
<td>6,416</td>
<td>6,076</td>
<td>5,858</td>
</tr>
<tr>
<td>Total cost of purchased power</td>
<td>21,086,288</td>
<td>20,336,379</td>
<td>21,375,473</td>
<td>19,288,312</td>
<td>18,703,474</td>
</tr>
<tr>
<td>Maximum monthly kW demand</td>
<td>49,714</td>
<td>47,038</td>
<td>47,299</td>
<td>49,489</td>
<td>54,561</td>
</tr>
<tr>
<td>Total kWh purchased by cooperative</td>
<td>266,309,947</td>
<td>261,056,793</td>
<td>261,055,793</td>
<td>253,104,479</td>
<td>259,346,888</td>
</tr>
<tr>
<td>Total kWh purchased by members</td>
<td>249,400,772</td>
<td>244,394,601</td>
<td>244,394,601</td>
<td>236,556,140</td>
<td>241,507,831</td>
</tr>
<tr>
<td>Average kWh used per month per member</td>
<td>2,149</td>
<td>2,107</td>
<td>2,071</td>
<td>1,979</td>
<td>2,025</td>
</tr>
<tr>
<td>Total electric revenue</td>
<td>33,550,555</td>
<td>33,401,762</td>
<td>34,270,347</td>
<td>31,790,392</td>
<td>30,372,970</td>
</tr>
<tr>
<td>Average monthly electric bill per member</td>
<td>289</td>
<td>288</td>
<td>290</td>
<td>266</td>
<td>255</td>
</tr>
<tr>
<td>Average monthly revenue per mile of line</td>
<td>1,273</td>
<td>1,269</td>
<td>1,303</td>
<td>1,210</td>
<td>1,157</td>
</tr>
<tr>
<td>Average ownership equity per member</td>
<td>3,180</td>
<td>3,181</td>
<td>2,545</td>
<td>1,976</td>
<td>1,909</td>
</tr>
<tr>
<td>Total taxes paid</td>
<td>971,979</td>
<td>944,282</td>
<td>966,294</td>
<td>933,471</td>
<td>924,230</td>
</tr>
<tr>
<td># of Co-op vehicles</td>
<td>32</td>
<td>31</td>
<td>30</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Miles traveled by transportation vehicles</td>
<td>227,396</td>
<td>213,027</td>
<td>214,350</td>
<td>251,058</td>
<td>269,884</td>
</tr>
<tr>
<td>Total transportation costs</td>
<td>187,742</td>
<td>193,422</td>
<td>210,935</td>
<td>224,348</td>
<td>195,688</td>
</tr>
<tr>
<td>Average cost per mile by transportation vehicles</td>
<td>0.83</td>
<td>0.91</td>
<td>0.98</td>
<td>0.89</td>
<td>0.73</td>
</tr>
<tr>
<td>Hours used on power operated vehicles</td>
<td>10,349</td>
<td>8,585</td>
<td>9,051</td>
<td>10,449</td>
<td>10,305</td>
</tr>
<tr>
<td>Total power operated costs</td>
<td>331,007</td>
<td>346,591</td>
<td>361,699</td>
<td>402,611</td>
<td>392,975</td>
</tr>
<tr>
<td>Average cost per hour by power operated vehicles</td>
<td>31.98</td>
<td>40.37</td>
<td>39.96</td>
<td>38.53</td>
<td>38.13</td>
</tr>
</tbody>
</table>

### Cooperative operating stats

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of purchased power</td>
<td>21,086,288</td>
<td>20,336,379</td>
<td>21,375,473</td>
<td>19,288,312</td>
<td>18,703,474</td>
</tr>
<tr>
<td>Total kWh purchased</td>
<td>266,309,947</td>
<td>261,056,793</td>
<td>261,055,793</td>
<td>253,104,479</td>
<td>259,346,888</td>
</tr>
<tr>
<td>Total kWh sold</td>
<td>249,400,772</td>
<td>244,394,601</td>
<td>244,394,601</td>
<td>236,556,140</td>
<td>241,507,831</td>
</tr>
<tr>
<td>Average number of members served excl. comm.</td>
<td>9,416</td>
<td>9,420</td>
<td>9,596</td>
<td>9,734</td>
<td>9,714</td>
</tr>
<tr>
<td>Average kWh use per month per member excl. comm.</td>
<td>1,068</td>
<td>1,044</td>
<td>1,053</td>
<td>1,038</td>
<td>1,010</td>
</tr>
<tr>
<td>Average cost per kWh to member excl. comm.</td>
<td>16.67</td>
<td>17.11</td>
<td>17.20</td>
<td>16.43</td>
<td>16.32</td>
</tr>
</tbody>
</table>
Cooperative statement of receipts and expenses

for the year ended December 31, 2016

### Our Receipts:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of electric service</td>
<td>$ 33,331,109</td>
</tr>
<tr>
<td>Propane revenue</td>
<td>$ 1,817,960</td>
</tr>
<tr>
<td>Other receipts</td>
<td>$ 219,446</td>
</tr>
<tr>
<td><strong>Total receipts for 2016</strong></td>
<td><strong>$ 35,368,515</strong></td>
</tr>
</tbody>
</table>

### Our Expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased electric power cost</td>
<td>$ 21,086,288</td>
</tr>
<tr>
<td>Purchased propane cost</td>
<td>$ 1,251,502</td>
</tr>
<tr>
<td>Operations and maintenance expense</td>
<td>$ 3,549,731</td>
</tr>
<tr>
<td>Consumer accounting and collecting expenses</td>
<td>$ 675,545</td>
</tr>
<tr>
<td>Customer assistance expense</td>
<td>$ 768,343</td>
</tr>
<tr>
<td>General office salaries and expenses</td>
<td>$ 1,994,070</td>
</tr>
<tr>
<td>Outside services</td>
<td>$ 180,005</td>
</tr>
<tr>
<td>Insurance expense</td>
<td>$ 68,903</td>
</tr>
<tr>
<td>Post retirement benefits, excluding pensions</td>
<td>$ 98,393</td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>$ 2,530,280</td>
</tr>
<tr>
<td>Taxes</td>
<td>$ 971,979</td>
</tr>
<tr>
<td>Interest expense to CFC</td>
<td>$ 1,778,943</td>
</tr>
<tr>
<td><strong>Total cost of providing service for 2016</strong></td>
<td><strong>$ 34,953,982</strong></td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td><strong>$ 414,533</strong></td>
</tr>
<tr>
<td><strong>Interest income, capital credits and other non-operating revenue</strong></td>
<td><strong>$ 2,427,021</strong></td>
</tr>
<tr>
<td><strong>Total Margin</strong></td>
<td><strong>$ 2,841,554</strong></td>
</tr>
</tbody>
</table>

### Long-term obligations to CFC & USDA Rural Development

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total CFC loan funds approved</td>
<td>$ 55,526,051</td>
</tr>
<tr>
<td>Total CFC funds borrowed</td>
<td>$ 29,326,051</td>
</tr>
<tr>
<td>Total USDA funds borrowed</td>
<td>$ 2,777,829</td>
</tr>
<tr>
<td>Payments made on principal during year</td>
<td>$ 2,013,636</td>
</tr>
<tr>
<td>Total interest paid during year</td>
<td>$ 1,783,459</td>
</tr>
</tbody>
</table>
### Charged Up for the Future

#### Sales Revenue

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$20,072,824</td>
<td>59.86%</td>
</tr>
<tr>
<td>Large Commercial</td>
<td>$7,731,750</td>
<td>23.06%</td>
</tr>
<tr>
<td>Small Commercial</td>
<td>$5,475,422</td>
<td>16.33%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>$201,794</td>
<td>0.60%</td>
</tr>
<tr>
<td>Street Lighting and Municipal</td>
<td>$51,111</td>
<td>0.15%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$33,532,901</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

#### Allocation of Total Cost

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Power</td>
<td>$21,086,288</td>
<td>65.05%</td>
</tr>
<tr>
<td>Distribution Maintenance</td>
<td>$2,410,999</td>
<td>7.44%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$2,298,569</td>
<td>7.10%</td>
</tr>
<tr>
<td>Interest</td>
<td>$1,778,943</td>
<td>5.49%</td>
</tr>
<tr>
<td>Administration &amp; General</td>
<td>$1,781,765</td>
<td>5.49%</td>
</tr>
<tr>
<td>Distribution Operations</td>
<td>$1,218,050</td>
<td>3.75%</td>
</tr>
<tr>
<td>Tax Expense</td>
<td>$956,371</td>
<td>2.95%</td>
</tr>
<tr>
<td>Consumer Accounts</td>
<td>$492,595</td>
<td>1.52%</td>
</tr>
<tr>
<td>Consumer Service &amp; Information</td>
<td>$355,347</td>
<td>1.09%</td>
</tr>
<tr>
<td>Other Deductions</td>
<td>$39,041</td>
<td>0.12%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$32,417,968</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
The Co-op Connections® Card program builds ties within local communities and national business partners to save members money. Not only does this program encourage our members to shop locally and save big, it also powers cooperatives to build relationships with local business members in communities where they work, live and play. With the Co-op Connections Card program, everybody wins!

One key component to the membership card is the savings members receive when filling their prescriptions. The card also provides discounts on vision, dental, chiropractic and other healthy savings benefits. As the graphic below indicates more than $100,000,000 dollars have been saved nationally on prescription drugs alone since the cards inception in 2007. Locally, Shelby Electric Cooperative members have saved over $120,000 since inception. To learn more about the many ways you can save using the Co-op Connections Card visit the cooperative’s website or go to connections.coop. To see a list of local businesses, check out the June issue of Shelby News insert into the Illinois Country Living Magazine.

Some restrictions may apply. This is NOT insurance.
Charged Up for the Future

Check Out the NEW Shelbyelectric.coop which debuted in March!
1. I, the undersigned active Class A member of Shelby Electric Cooperative, hereby appoint (insert name of person to act as proxy) ______________________________ as my agent and proxy (a) to attend and represent me at the annual meeting of members of Shelby Electric Cooperative on June 9, 2017, and any continuation or adjournment of the annual meeting of members and (b) to act and vote on my behalf in the transaction of any business conducted at the annual meeting of members, in the same manner and with the same effect as if I were personally present.

2. This proxy and the authority represented by this proxy may be revoked by me at any time and is automatically revoked if I am personally in attendance at the annual meeting of members.

Date: ________________________________, 2017

_________________________________________
(Typed/printed name of active Class A member giving proxy)

_________________________________________
(Signature of active Class A member giving proxy)

_________________________________________
(Title/office, if corporation or other entity)

Witness: _________________________________________

(Note: The bylaws of the cooperative provide that (1) only active Class A members of the cooperative may cast the vote of another active Class A member for whom he or she has been given a proxy, (2) an active Class A member may only cast one proxy vote for an absent active Class A member in addition to his/her own vote, (3) any proxy must be filed with the secretary of the cooperative at or before the meeting, and (4) proxies expire 60 days after date of execution.)

Meeting will be held at the Shelby County 4-H Fairgrounds, Shelbyville, IL

Come and eat barbecue pork chops with your friends
(Prepared by Pork Producers of Shelby County)

• Registration 10:30 a.m. - 1:00 p.m.
• A Barbecue Pork Chop Dinner will be served between 10:30 a.m. and 12:45 p.m.
• There will be a free Health Fair with testing for blood pressure.
• A representative from Air Evac Lifeteam will be on hand to answer any questions.
• Entertainment preceding the meeting by The Hood Family Band.
• All registered members will receive a $10 bill credit - $11 if you bring your registration card.
• Must be present to win door prizes in the drawing after the meeting.

Please mark your calendar and plan to attend

Door Prizes

Prizes will be given at the close of the business meeting.*
*Eligibility for prizes: You must be registered for this year’s annual meeting by 1:00 p.m. to be eligible for all prize drawings and you must be present to win.

Grand Prize!!!

$250 “Shelby Electric Dollars” that can be used for any Shelby Electric provided service.
Bring this card with you for an $11 bill credit

If you bring this registration card with you and present it at the registration table, it will save you time and possibly eliminate standing in line to register.

Sunshyne the Clown & Tim the Twister
Free blood pressure checks
Children’s ID program
Bucket truck rides
Bounce house
Paddi’s Air Filled Fun
And more!