

***SOUTHSIDE ELECTRIC COOPERATIVE
2016 ANNUAL MEETING
HOOPER PARK, CREWE, VIRGINIA
SEPTEMBER 24, 2016 @ 11:15 A.M.***

The Annual Meeting of the members of Southside Electric Cooperative was held at Hooper Park, 1500 feet west of the Cooperative Headquarters Office, on U. S. Highway No. 460, in the Town of Crewe, State of Virginia, at 11:15 a.m. on Saturday, September 24, 2016.

INTRODUCTIONS

Jacob McCann, Community Relations Coordinator, introduced Frank W. Bacon, Chairman of the Board of Directors, to the membership. Chairman Bacon presided over the meeting.

Pastor Bruce Rhew of Grace Baptist Church in Blackstone, Virginia was introduced and gave the invocation.

Chairman Bacon also recognized the special guests attending the Annual Meeting.

Jacob McCann announced the winner of the Grand Prize drawing, B. E. Early of Meherrin, Virginia. He then introduced two participants of the 2016 Youth Tour; Melanie Leonard from Powhatan County and Joel Thomas from Prince Edward County.

BUSINESS MEETING

The business meeting was called to order and motion was requested from the membership to appoint Frank F. Rennie, IV, Southside Electric Cooperative's General Counsel, as parliamentarian over the business session of the meeting, and to appoint Christine Marston, Executive Assistant, as recording secretary of the meeting.

On motion made and seconded:

“Frank F. Rennie, IV is appointed as Parliamentarian over the Business Session of the meeting and Christine Marston is appointed as Recording Secretary.”

MOTION CARRIED

SECRETARY'S REPORT

Chairman Bacon introduced the members of the Board of Directors of Southside Electric Cooperative, and then called Paul S. Bennett, Secretary of the Board of Directors, to read the notice of the meeting and quorum statement. After proof of due notice of the meeting, the attendance was checked, and it was determined that 707 members were present in person, and 2,775 members were present by proxy, said members constituting a quorum of the membership for the purpose of this meeting. A list of those present in person and by proxy will be retained by the Cooperative.

On motion made and seconded:

“The reading of the minutes of the 2015 Annual Meeting of members is dispensed with, since a copy of such minutes was published in the Cooperative Living magazine and said minutes are approved as written.”

MOTION CARRIED

REPORT OF OFFICERS

The next order of business, according to the *Bylaws*, was the presentation of reports of officers, which will be attached to and made a part of the Annual Meeting Minutes. This included the Chairman's report and the President/CEO's report. During the Chairman's Report, John M. Boswell was recognized for his almost 40 years of service to the Cooperative.

Mr. Boswell thanked the Board of Directors for allowing him to serve the Cooperative and its members. He noted that every decision made by the Directors and Staff are always out of consideration and for the benefit of the Cooperative members.

On motion made and seconded:

“The reports of officers are approved as presented.”

MOTION CARRIED

UNFINISHED BUSINESS

The floor was opened for unfinished business, but there was none.

NEW BUSINESS

The floor was opened for new business. Chairman Bacon introduced General

Counsel Frank Rennie to conduct the remainder of the meeting.

Nominations were received for Districts I, II and III pursuant to the Bylaws. Board members are elected for a 3-year term and petitions must be received by all nominees not less than 60 days before the Annual Meeting of the members. A list of candidates for all districts shall be mailed to each member not less than 10 days before any meeting where directors are to be elected. Accordingly, the following were placed in nomination:

District I – Michael A. Lobue
District II – Frank W. Bacon
District III – Brenda H. Johnson

On motion made and seconded:

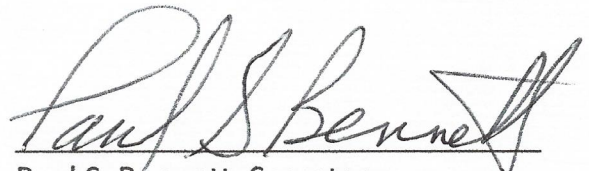
“Nominees for Districts I, II and III are unanimously elected by acclamation to represent their territorial district.”

MOTION CARRIED

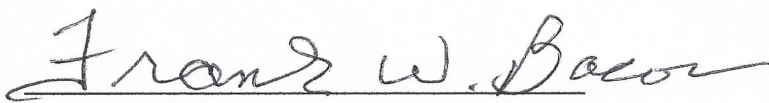
QUESTION AND ANSWER SESSION & ADJOURNMENT

General Counsel Rennie opened the floor for a question and answer period, but there were no questions brought by the membership.

There being nothing further to come before the meeting, it was adjourned at 12:01 p.m.


Paul S. Bennett, Secretary

Approved:


Frank W. Bacon, Chairman


Christine Marston, Recording Secretary

CHAIRMAN'S REPORT

WELCOME

It is an honor to address you each year at our annual meeting and share with you the things that your Cooperative has accomplished over the past year; things we are proud to be a part of that make our community stronger and give the people living in our community a better quality of life. Cooperatives have 7 principles that we live by, and I want to focus today on one of those, Commitment to Community, as I review the past year's highlights. We participate in a host of programs to benefit our communities. Some of these you may be aware of, while others may surprise you.

DAY IN THE LIFE OF A LINEMAN

We began the Day in the Life of a Lineman 4 years ago as a career exploratory program to expose high school students across our service area to the career choices available as an electric line technician. Since its inception, approximately 500 students attended these programs in our various districts. While not everyone attending was interested in getting out of bed at 2 a.m. to venture into a thunderstorm or freezing temperatures, and then climb a 50 foot pole illuminated by a flashlight, several decided to make this their career. They are now employed by cooperatives, contractors or investor-owned utilities.

As we completed each class of the Day in the Life of a Lineman program, students asked what their next step should be if they were interested in the lineman profession. We pointed them to linemen training programs in other states that last 12 – 14 weeks with associated costs in excess of \$20,000. These programs provide hands-on training and learning experiences that make students stand out when applying for jobs in our profession. Students entering these programs learn how to climb poles, install and repair wire, test voltage, and understand transformers and meter bases, along with many other skills including first aid and CPR. Unfortunately, these programs are very expensive and required area students travel several states away to attend this type of advanced training.

POWER LINE WORKERS SCHOOL

Our CEO approached the Chancellor of the Virginia Community College System at a community meeting hosted by Southside Virginia Community College and discussed offering this type of training at the SVCC Occupational Training Center located at Fort Pickett. This type of program aligned with legislation sponsored by Senator Frank Ruff that encouraged community colleges in Virginia to offer more workforce credential programs to meet the needs of employers and citizens alike. The Chancellor was excited about this type of opportunity, as was SVCC President Al Roberts, Mary-Jane Elkins and Keith Harkins. Mecklenburg Electric Cooperative CEO John Lee fully supported this project from the beginning, and after discussing this with all the cooperatives in the Virginia Maryland Delaware Association of Electric Cooperatives, I am proud to say that due to the collaboration of this group, and with the assistance of the Association, the Power Line Workers School went from an idea to offering its inaugural class in less than a year. This resulted from:

- \$300,000 of seed money provided by the Virginia Community College System

- a \$200,000 matching incentive grant from Governor Terry McAuliffe's Competition for Talent Solutions
- cash and materials donated by the electric cooperatives of Virginia, Maryland, Delaware, Old Dominion Electric Cooperative and the Association
- along with our partners in the contractor environment

The first class of 11 students graduated in May, and all 11 students quickly found work in our industry. The second class of 19 students graduated yesterday, and all students are actively seeking employment. We do not anticipate that taking too long based upon input from various employers. The next class begins in early October and was at capacity 2 months ago.

This program is an overwhelming success. Former SEC employee, Clyde Robertson is the primary instructor and is doing a terrific job in turning out skilled workers. It is a win-win for the students as they acquire skills and certifications that allow them to quickly find employment, it is a win-win for SVCC as it draws more students into their system, and it is a win-win for the cooperatives as we have group of skilled people to choose from when we have an opening in that profession. I am proud that our Cooperative had the opportunity to participate in such a successful, meaningful and collaborative effort.

EMPLOYEE VOLUNTEER PROGRAM

Another example of our commitment to you is our employee volunteer program that gives each employee 16 hours to participate in a volunteer effort to improve the lives of those in our service area. We recently had 4 employees participate in a project with God's Pit Crew rebuilding a house in Appomattox that was destroyed by the February tornadoes. This program will definitely make a positive impact in our various communities and on the lives of our employees as well.

SHELTERS FOR ABUSED VICTIMS

We continue to provide support to groups like Madeline's House and Frannie's House that serve as shelters for abused victims. We support a variety of causes throughout our 18-county service territory through monetary support or through active participation.

SCHOLARSHIP PROGRAM

We began providing scholarships in 2016 to students seeking to attend traditional college programs or those attending the Power Line Worker Program at SVCC. In order to apply for a scholarship, the student's immediate family must receive service from SEC. We raised in excess of \$14,000 this year for this project through a golf tournament. We have awarded (10) \$1,000 scholarships to college bound students, and (2) \$1,000 scholarships to those attending the Power Line workers program.

OTHER COMMUNITY SUPPORT ACTIVITIES

- We helped set scoreboards in Lunenburg County;
- replaced light bulbs at the Amelia High School field;
- assisted with hanging Christmas decorations in Burkeville; and
- participated in various Christmas parades across our territory

All of these things represent the cooperative principle, **Commitment to Community**. That principle is just one of the ways that we differ from other business models and is certainly the one that brings the most pleasure to all of us associated with the Cooperative and the one your Board is proudest to be a part of.

JACK BOSWELL

I also need to take a minute to recognize a special individual. Jack Boswell served as your Cooperative attorney for almost 40 years, providing counsel over 4 decades to the Board and management. He has provided assistance to every CEO the Cooperative has employed, from Charlie Hooper to the current CEO, Jeff Edwards. He has defended the Cooperative in various forms of litigation, and has been instrumental in establishing case law that protects electric cooperative interests nationwide. He is a true cooperative supporter and a tremendous friend to Southside Electric Cooperative. He was recognized by the other cooperatives in Virginia, Maryland and Delaware for his leadership and dedication to the cooperative program in July when he received the Distinguished Friend of the Electric Cooperatives award. Please join me in a round of applause to recognize Jack Boswell's service to Southside Electric Cooperative.

I will now call on our CEO to come forward and give his report.

PRESIDENT/CEO ANNUAL REPORT

Good morning and once again, let me welcome you to your Annual meeting. It is great to have all of you here today to learn more about your Cooperative. This is always a busy time of the year for the Cooperative employees as we prepare for this event, and I would be lying if I didn't say that sometimes it is a stressful time, but it is always an exciting time and one that we look forward to every year. Some psychologists say that the sense of smell has the ability to transport you back in time. If that is true, I guess we will all think of the Southside's Annual meeting when we detect the smell of barbequed chicken wafting off of charcoal pits; and that is certainly not a bad thing.

Dr. Bacon did a great job describing the community projects we have been involved with over the past year. Some of these are ongoing projects that we have supported over multiple years, while others have just recently begun. We constantly look for ways to enhance our communities and he was definitely correct when he said our participation in community events was the one thing we are most proud of. Any electric utility will tell you it is their job and their responsibility to keep the lights on. But if you aren't served by an electric cooperative, your utility will not have the same commitment to community that we do. As Chairman Bacon mentioned, that is one of the 7 principles that we live by each and every day that sets us apart from the competition. I am very proud to be a part of an organization that takes that charge so seriously.

I am sure you are curious about what other, more traditional, projects we have been involved in since we last met. I will take a few minutes to keep you informed of some of the things we have been working on. Our number one priority at SEC is safety, for you, the members, the general public and our employees alike. There is no room for compromise in this area. When treated safely and correctly, electricity brings us unlimited benefits. If not handled in a safe manner, it can be deadly. Our employees work with this in mind each and every day. We hold frequent safety meetings that serve to remind and educate both our workforce and the general public about the dangers of electricity. I am pleased to announce that we recently passed a rigorous safety review that uses the guidelines of the National Rural Electric Cooperative Association (NRECA). This review includes close inspection by a group of third-party inspectors of our records that includes both office and field inspections to ensure that we are working safely and providing the proper equipment and training to our employees and the public. We did extremely well in this process with only a few minor things noted as areas of improvement. I am proud of our employees for their dedication to the safety program and culture of safety that they have developed.

We remain focused on our reliability of electric service. We keep detailed records of outages and actively manage a Reliability Improvement Plan. We review all of our outage data on a regular basis and develop and implement strategies to minimize the outages that you experience. We maintain over 8,100 miles of power lines in 18 counties. We are the 37 largest cooperative in the country, out of 814 systems, based solely upon that measurement. That means we have more exposure to the elements that create outages. Our efforts have reduced the amount of outage time that our members' experience by approximately 53% since 2007. We continue to make plans to implement projects that will further improve our reliability to

you. We are currently in the final stages of completing a transmission project from Powhatan County to our Amelia Substation. This project will be energized by mid-October and result in dramatic improvements concerning power supply for members receiving service from that project. At our request, Dominion Virginia Power is constructing a transmission line to our Ponton Substation. This project is anticipated to be complete by year-end and will significantly improve service to members in that area. We have a transmission project planned for Dinwiddie County that will result in improved service to our members served off the Center Star substation. That project has progressed more slowly than we had hoped, but it is progressing just the same. All three of these projects address the worst performing substations that we own. Outages at these locations affect over a thousand members each time they are out or blink and require a significant investment for the anticipated improvement. We strive to identify routes that minimize the impact to those that live in close proximity to the transmission lines. We do so by building along existing overhead powerline right of ways. We also balance this concern with the financial impact these projects have on the entire membership. I feel we have accomplished this in all the projects that your Cooperative is involved with.

Customer service has improved dramatically in recent years. You have told us that by your participation in the American Consumer Satisfaction Index surveys that we conduct quarterly. We have watched our scores steadily increase with scores now in the low 80's, the highest scores SEC has ever received. The average Cooperative score nationwide is 76, and investor-owned utilities come in with a score of 72. I am proud of the improvement in this area, and it is only possible by listening to you, knowing what you expect, and then having a team of employees that strive to meet and exceed your expectations in their interactions with you. I appreciate your participation in these surveys, and I appreciate the employees going the extra mile to meet your needs.

We remain financially strong, even as we face little to no growth in new members or energy sales. Parts of the country are recovering from the earlier recession and the bursting of the housing bubble, but our service territory continues to struggle with adding new homes and businesses. As a result of stagnant growth, we are forced to closely monitor revenues and expenses and ensure that the projects we embark upon create value that is equal to or greater than the incurred expense. We continue our successful tradition of retiring capital credits and retired \$3.5M in 2015, and I am pleased to announce that your Board of Directors recently approved retiring \$2.5M in 2016. After our December retirement, SEC has returned \$48.1M to you, our members, since 1984. Our margins would be considered profits in investor-owned utility structures and would be awarded to those who own stock in that utility. As a Cooperative member, you are an equal owner with all other members, and the margins are retired based upon your contribution to the Cooperative through your energy usage. We consistently rank among the top cooperatives nationwide with both the amount and percentage of capital credits that we return back to you.

I am rapidly reaching the end of my presentation. Please allow me to thank you for your attention and your participation in this meeting and your support of Southside Electric Cooperative. I want to express a heartfelt thank you to the employees for their tireless efforts in meeting your needs and taking the plans that we develop and turning them into a reality. I want to express my sincere appreciation to the Board for working closely with myself and the

management team in developing plans that result in improvements to the Cooperative members. This is a very dedicated group of individuals that spend a lot of time reading and preparing for Board meetings and looking out for the best interests of all of you when it comes to the various ways the Cooperative can impact your quality of life. Finally, I would be remiss if I didn't thank my wife Jane, who has consistently supported me in my career for many years. She has made my job much easier.

I hope you have enjoyed the meeting thus far and continue to do so for the remainder of the afternoon.