

Unofficial Minutes of 2005 Annual Meeting

The annual meeting of the members of the Charles Mix Electric Association, Inc., was held at the Andes Central High School Auditorium in the City of Lake Andes, in Charles Mix County, South Dakota on the 12th day of October, 2005 at the hour of 7:00 o'clock P.M., being the time, date, and place, designated in the Notice of the Meeting and in accordance with the bylaws of the association.

Registration of the members attending commenced at 6:30 o'clock and the total membership of the association as of the date of the annual meeting was 1,651. At the hour of 7:05 o'clock P.M. President Wally Johnson, as presiding officer, called the meeting to order and announced that 192 members had registered and were present in person, which number exceeded the quorum requirement of 50 members for the transaction of business. The Secretary was directed to note the existence of a quorum.

The first drawing was then held with ten (10) merchandise prizes awarded. President Johnson then introduced the special guests in attendance including past CME employees and directors as well as managers and directors from neighboring cooperatives. President Johnson also reported to the members that Manager, Mark Mengenhauser, could not attend the meeting for health reasons.

The President then requested the Secretary to read the minutes of the last annual meeting held on October 13, 2004 and it was moved and seconded that the reading of the minutes be dispensed with, and that the minutes stand approved as entered on the corporate books. The motion carried. The President then declared the minutes of the last annual meeting duly approved.

Robert Kisely, Secretary, was directed by the President to read the notice of the meeting and affidavit of the mailing such notice. Upon completion of such reading, the President directed Mr. Kisely to annex the notice and proof of mailing to the minutes of the meeting.

The President then called upon the Secretary-Treasurer, Robert Kisely, to read the Financial Report to the membership. The Secretary-Treasurer complied. Secretary-Treasurer Kisely then asked for questions from the floor regarding the Financial Report. There being none, President Johnson solicited a motion to approve the Treasurer's Financial Report. Upon such motion being made and seconded, the President called for a vote. The motion carried.

The President then presented his report and annual review to the membership. Mr. Johnson briefly reported on the health of Mark Mengenhauser. He then noted that this year was the 60th year of operations for Charles Mix Electric and mentioned the original incorporators and provided a short

history of the cooperative. Mr. Johnson listed the many improvements that had occurred during the past 60 years and recalled numerous issues that the cooperative had faced. Among the recent matters discussed, the President noted the changes in power supply, the varying water levels on the main stem dams, and anticipated increased costs from WAPA looming in the future. He discussed increased loads, coal-fired generation at Basin Electric, diminishing excess power, and plans for new plants. Mr. Johnson reported on Basin issues such as coal transportation costs and noted that railroad rates had nearly doubled in the last two years. He also informed the members of the development and limitations of wind power and the substantial investment required for transmission. On the matter of rates, Mr. Johnson stated that increased WAPA rates would impact East River Electric Power Cooperative, which, in turn, would impact Charles Mix Electric. He stated that the increase would probably be reflected in rate increases in 2007. President Johnson reported that maintenance, replacement, and new services had resulted in 1400 miles of line. Mr. Johnson concluded with comments on the challenges and future opportunities facing Charles Mix Electric.

The President then announced that the next item of business was the election of directors and turned the meeting over to the Cooperative Attorney, Michael J. Whalen, as President Pro-Tem. Attorney Whalen informed the membership of the election procedure and noted that the incumbents were unopposed. Mr. Whalen solicited a motion to declare the unopposed candidates duly elected and same was made, seconded and unanimously adopted. Thereupon, the unopposed candidates were declared duly elected. They were as follows:

District III – three year term	Wallace Johnson
Director-at-Large – three year term	Douglas Koupal

Mr. Whalen then returned the meeting to the President for further business.

Next, President Johnson presented service awards to employees and thanked the American Legion Auxiliary and Andes Central High School for their hospitality. He then introduced a video presentation from East River Electric.

President Johnson then called for unfinished business. None was offered. He then opened the meeting to new business. None was offered. President Johnson then solicited a motion to adjourn. The motion was made, seconded and carried upon a voice vote. The balance of the door prizes were awarded and distributed.

Balance Sheet and Income/Expense Statement

as of December 31, 2005

Assets: What We Own

	<u>12-31-05</u>
Total Cost of Plant	\$14,862,964
Less Depreciation Reserve	(3,457,996)
Cash on Hand	51,694
Investments - East River & other capital credits	1,453,064
Investments - Other Organizations	365,225
Other Investments - Basin Electric	8,350
Accounts Receivable	372,639
Materials & Supplies	674,593
Prepayments	(327)
Deferred Debits	14,573
Total Assets	\$14,344,779

Revenue: What We Earned

	<u>12-31-05</u>
Farms & Residential	\$2,087,859
Pasture Wells	69,018
Seasonal Cabins	113,947
Irrigation	285,459
Small Commercial & Public Authority	312,828
Large Commercial	893,131
Schools, Churches, Township Halls, & Street Lights	12,299
Other Electric Revenue	19,759
Interest & Dividend Revenue	33,181
Non-Operating Revenue	13,265
Total Revenue	\$3,840,746

Liabilities: What We Owe

Long-term Debt to RUS & CFC	\$9,203,744
Consumer Deposits, Other Current & Accrued Liabilities	378,160
Deferred Credits	25,530
Total Liabilities	\$9,607,434

Net Worth

Patronage Capital & Other Member Equities	\$4,737,345
Total Net Worth	\$4,737,345
Total Liabilities & Net Worth	\$14,344,779

Expenses: What We Spent

Purchased Power	\$1,606,260
Distribution Expense - Operations	214,832
Distribution Expense - Maintenance	217,611
Consumer Records Expense	104,255
Customer Service Expense	35,689
Sales Expense	19,993
Administrative & General Expense	435,014
Depreciation & Amortization Expense	415,426
Tax Expense	82,592
Interest Expense	421,874
Miscellaneous Expense	4,318
Total Expenses	\$3,557,864

Patronage Capital & Margins

Operating & Non-operating margins	\$282,886
Other Patronage Capital	8,855
East River & Basin Electric Margins	117,969

Net Margins	\$409,710
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Over \$122,000 patronage capital refunded to members this year.

Over \$115,000 in gross revenue taxes paid to local schools.