



2015
ANNUAL
REPORT

Southwest Arkansas Electric
Cooperative Corporation

ANNUAL MEETING OF MEMBERS

**Headquarters Building
2904 East Ninth Street
P.O. Box 1807
Texarkana, Arkansas 71854
March 26, 2016**

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OFFICIAL NOTICE

**ANNUAL MEETING OF MEMBERS
of
SOUTHWEST ARKANSAS ELECTRIC
COOPERATIVE CORPORATION**

Dear Member:

Notice is hereby given that the 2016 Annual Meeting of Members of Southwest Arkansas Electric Cooperative Corporation will be held March 26, 2016, in the Headquarters Building, 2904 East Ninth Street, Texarkana, Arkansas, beginning at 1:00 o'clock p.m. for the following purposes:

1. To pass on reports for the previous fiscal year;
2. To ratify any and all action heretofore taken or done by the Board of Directors or Members of the Cooperative;
3. To elect one (1) director for the Cooperative;
4. To transact such other business as may properly come before the meeting.

Respectfully,

/s/ Don Stemple
DON STEMPLE, Secretary

Registration will begin at 12:00 p.m.
Any member with special needs, who plans to attend the Annual Meeting, should contact the Cooperative at 870-772-2743 prior to the meeting.

SOUTHWEST ARKANSAS ELECTRIC COOPERATIVE CORPORATION

December 31, 2015

Dear Member:

We are pleased to make this report to you on the progress and activities of your Cooperative during calendar year 2015. Also, general information is included in the report for your use and reference.

As a member of the Cooperative, along with being a consumer, you are one of its 18,361 joint owners. You share in its equity. You elect its directors who represent you in making management decisions. You can attend its annual meetings and vote on business matters. We encourage you to attend the Annual Meeting of Members this year and personally exercise your rights and responsibilities as a member of the Cooperative.

This report includes (a) a written summary on items of current interest, (b) financial reports, (c) information on the directors of the Cooperative, (d) general information about the Cooperative along with a map showing its service territory, (e) a listing of the personnel of the Cooperative, (f) a summary of the Bylaws of the Cooperative, (g) the rate schedules in effect as of December 31, 2015, (h) the power plants & Statement of Nondiscrimination, and (i) Minutes of the last Annual Meeting. We encourage you to look through the report, study the portions you find of special interest, and keep it for future reference.

The officers, directors, and employees consider it a privilege to be your electric service provider and to furnish you with a dependable source of electric energy. We pledge our continued efforts to keep the supply of electric energy adequate and dependable, and the cost as low as possible consistent with good business practices.

Sincerely,

Rusty Pendergraft, Chairman of the Board
Warren Plyler, Vice Chairman of the Board
Don Stemple, Secretary-Treasurer
C. Wayne Whitaker, President & CEO

2015 HIGHLIGHTS

The Electric Cooperative

Southwest Arkansas Electric Cooperative Corporation is a nonprofit, member-owned utility organized under the Arkansas Electric Cooperative Corporation Act. This electric cooperative was organized and incorporated on August 25, 1937. Similar electric cooperatives were organized and incorporated throughout the United States about this time. Presently, there are approximately 1,000 electric cooperatives operating today. Each cooperative is an independent, locally-owned business enterprise operated for member-owners who share in the responsibility for its success or failure along with the benefits that they receive.

The Cooperative's Headquarters Office is located at 2904 East Ninth Street, Texarkana, Arkansas. Also, the Cooperative has district offices in Bradley, DeQueen, and Nashville, Arkansas. The Cooperative serves members in Arkansas, Oklahoma, and Texas and the service territory is depicted by the map on page 11 of this report.

The Cooperative's business affairs are managed under the direction of and policies set by a Board of Directors consisting of nine member-consumers elected by the membership of the Cooperative at membership meetings held annually, in accordance with the Bylaws. The Cooperative serves rural and urban residences as well as industrial and commercial accounts in the three states area. Construction of electric plant facilities has been financed over the years through the National Rural Utilities Cooperative Finance Corporation (CFC), the Rural Electrification Administration, and the Rural Utilities Service. Additionally, retained margins from operations, assigned to the capital account of members (Capital Credits), have provided a substantial portion of the investment capital for electric plant investment. The Cooperative provides service to approximately 18,361 member-consumers through about 27,793 separately metered points of delivery, through 5,450 miles of overhead and underground distribution line, 139 miles of 69 kV transmission line and 33 substations. The total power requirements are supplied at wholesale by Arkansas Electric Cooperative Corporation, Little Rock, Arkansas, a generation and transmission cooperative that is partially owned by this Cooperative.

Dependable Electric Service

Electric service has become so dependable that consumers accept it as a routine matter that seldom merits any thought. In fact, it is so routine that only during a moment of crisis does the true value of electricity become readily apparent. Virtually everything in today's economy revolves around the dependability of electric service.

Reliance on electricity will continue to increase, not lessen, in years to come. That is why it is important for the Electric Cooperative to have an energy distribution system that will provide superior service not only for present needs but for those of the future as well. Members' ever changing lifestyles make it imperative that such a system be in place. Members are assured of an adequate energy supply for years to come because of the combined efforts of the local distribution cooperative and the generation and transmission statewide cooperative.

	Number of Meters	Avg. kWh Used Per Meter Per Month	Total kWh Used Per Year	Avg. Plant Investment Per Meter	Total Plant Investment
1980	18,108	1,571	341,299,062	\$1,770	\$32,059,973
1985	19,825	1,535	365,169,959	\$2,511	\$49,778,955
1990	21,206	1,516	385,754,599	\$2,938	\$62,310,264
1995	23,083	1,654	458,229,351	\$3,562	\$82,217,170
2000	24,725	1,970	584,461,785	\$4,159	\$102,829,483
2005	26,150	2,140	668,980,189	\$4,717	\$123,342,764
2010	27,440	2,080	684,961,932	\$5,662	\$155,369,762
2011	27,476	2,065	680,757,595	\$5,937	\$163,111,273
2012	27,639	1,910	632,826,739	\$6,140	\$169,698,913
2013	27,736	1,994	660,244,269	\$6,415	\$177,915,547
2014	27,782	1,996	686,979,170	\$6,695	\$186,009,397
2015	27,793	1,913	694,181,016	\$7,062	\$196,277,349

Service is the Key

Members have made it clear that adequacy and dependability of service are their primary interest. Because of the dependency on electricity in the home and place of employment, Southwest Arkansas Electric is committed to providing the best of service and is constantly reviewing technological advances that could be used to make reliability even better. The price of electricity is important, but survey after survey has emphasized that members consider adequacy and reliability to be of greater significance than price.

It is in the rapid restoration of service after outages that members' interest centers. SWAECC's record of service restoration is second to none. Considering the load density of meters per mile (approximately 5 per mile), the time required to locate and correct outages is truly outstanding.

Prepared for the Future

About 52 years ago, Southwest Arkansas Electric joined with 16 other cooperatives in Arkansas and organized Arkansas Electric Cooperative Corporation (AECC). AECC, a generation and transmission cooperative, is headquartered in Little Rock and supplies the Cooperative's total energy requirements. A list of power plants owned by AECC is on page 19 of this report. The electric cooperatives of Arkansas have an energy supply sufficient to meet members' requirements for several years to come. The power plants to produce energy are already in place. The low-sulphur coal, gas, wind, solar and hydro-power needed to generate electricity is readily available. In addition, the electric cooperatives of Arkansas have recently added new peaking capacity.

These things did not "just happen." It takes a lot of detailed planning and is part of our commitment to service. Not only is it a commitment to the members of today, but to their children and grandchildren as well. If our young people are to provide the leadership for tomorrow, they must have the necessary resources.

Economic Development

Another aspect of the commitment to service is through the role of economic development. This role includes helping provide an environment conducive to agriculture, commercial, and industrial growth. New industries will provide the jobs our young people must have if they are to stay in this area.

Economic development is one of the major challenges facing the Cooperative today. SWAECC is moving to meet that challenge in a positive manner by offering competitive rates that will encourage new and existing industries to look at our area when developing plans for new plant sites and expansion of existing operations. Other programs include the Energy Resources Conservation Loan program, working with economic development leaders through our statewide association, and working with area Chambers of Commerce to encourage growth.

Financial

The Statement of Revenue and Patronage Capital on page 6 of this report shows a positive margin of \$4,914,393 for 2015. When the margin is related to interest cost of \$3,904,463 on long-term debt for the year, a Times Interest Earned Ratio (TIER) of 2.26 can be calculated for 2015 compared to 3.32 for 2014. However, the Cooperative is also required to calculate Operating TIER and Operating Debt Service Coverage (DSC). For 2015, the Operating TIER and Operating DSC are 1.76 and 1.53, respectively. Both ratios are above the required minimum requirements. A minimum TIER, Operating TIER and Operating DSC are required under the terms of the first mortgage contracts the Cooperative has with the Rural Utilities Service and the Cooperative Finance Corporation.

In an effort to increase the value of the Cooperative to the membership,

the Board of Directors authorized the retirement of capital credits in 2015. \$1,536,533.75 was returned to the members in December 2015 and the Board will continue retiring capital credits in future years as long as the organization's financial health remains stable. The Cooperative is working diligently to control costs and avoid a future general rate increase unless the financial condition and mortgage covenants require an increase in revenues. The Cooperative continues to remain in good financial condition while providing superior service and valued rates.

Members' equity in the Cooperative at the end of 2015 was 49.59%. Equity needs to remain near the present level to assure financial stability and low interest costs. This approach to equity management is expected to result in the lowest possible retail rates for future years.

Cutting Edge Technology

With an eye on the future, Southwest Arkansas Electric is working with members on installing energy efficient heat pumps and water heaters using 5% financing through the ERC loan program. Installation of new technology can help members reduce their home electric bills while improving comfort. Storm windows and insulation will also improve a home's efficiency and may be financed through the same program. As an addendum to this program, SWAECC will finance 80% of the purchase of small standby generators at a low-interest rate for home and commercial use.

Also, Southwest Arkansas Electric provides meter base surge arresters for \$4.50 per month that the customer may install on the electric service entrance to prevent electric surges from entering the customer's premises through the electric meter. Other projects include an Advanced Metering Infrastructure, pre-pay metering and Supervisory Control and Data Acquisition (SCADA) that allows the Cooperative to collect data on the distribution system that will help in the future to control system voltage and demand throughout the service area. Hopefully, this new technology will allow the Cooperative to conserve voltage during peak periods, hold down the cost of power, reduce line losses, improve service reliability and improve member services.

Committed to the Membership

Energy adequacy, service reliability, competitive rates, and innovation in rates and service will be emphasized in the coming years. Southwest Arkansas Electric Cooperative Corporation's commitment has not changed. That unwavering commitment is to provide first class electric service to the membership at a valued price, and to provide other services that add value to the organization.

Thank You

Southwest Arkansas Electric is one of the leading Cooperatives in the nation. Its strategic vision is to seek continuous improvement adhering to Cooperative principles and its fundamental beliefs. Without the efforts of a loyal and dedicated work force this would be impossible.

Thank you! to the women and men of Southwest Arkansas Electric.

Also, the Board of Directors and employees want to thank the membership for their support in 2015. Your understanding, your encouragement, your strength and your prayers are humbly appreciated.

BALANCE SHEET
As of December 31, 2015

	<u>2014</u>	<u>2015</u>
ASSETS OF COOPERATIVE:		
Plant Value--Cost	\$186,009,397	\$196,277,349
Less Depreciation	<u>59,794,202</u>	<u>62,376,595</u>
Plant Value--Net	\$126,215,194	\$133,900,754
Investments in Securities	44,522,313	53,498,478
Cash-Operating Funds	835,240	148,419
Due for Electric Service	5,830,448	5,087,811
Material and Supplies	3,745,623	4,299,911
Other Items of Value	396,390	481,891
TOTAL ASSETS	<u>\$181,545,209</u>	<u>\$197,417,264</u>
LIABILITIES OF COOPERATIVE:		
Long-Term Debt	\$ 74,034,472	\$ 82,633,764
Notes and Accounts Payable	4,125,926	9,579,667
Customer Deposits	1,160,365	1,184,391
Interest on Debt	143,138	136,826
Other Obligations	<u>13,400,611</u>	<u>5,989,520</u>
TOTAL LIABILITIES	<u>\$ 92,864,511</u>	<u>\$ 99,524,168</u>
OWNED BY MEMBERS	\$ 88,680,698	\$ 97,893,096
TOTAL LIABILITY AND EQUITY	<u>\$181,545,209</u>	<u>\$197,417,264</u>

STATEMENT OF REVENUE AND PATRONAGE CAPITAL
For the year ended December 31, 2015

	<u>2014</u>	<u>2015</u>
REVENUE:		
Sale of Electric Energy	\$ 63,330,897	\$ 62,237,627
Sale of Other Services	878,892	722,783
Other Cash Income	1,733,770	1,694,258
Deferred Income	1,097,645	328,151
TOTAL REVENUE	<u>\$ 67,041,205</u>	<u>\$ 64,982,819</u>
COST OF SERVICE:		
Purchased Power Cost	\$ 36,208,870	\$ 34,306,096
Operations and Maintenance	8,064,301	8,574,558
Consumer Accounting	2,228,608	1,869,027
General Administrative	2,431,071	5,865,349
Depreciation	5,259,619	5,548,933
Interest	<u>3,871,184</u>	<u>3,904,463</u>
TOTAL COST OF SERVICE	<u>\$ 58,063,654</u>	<u>\$ 60,068,426</u>
NET MARGINS	<u>\$ 8,977,551</u>	<u>\$ 4,914,393</u>

OPERATING STATISTICS
As of December 31, 2015

	<u>2014</u>	<u>2015</u>
Number of Meters	27,782	27,793
Average No. of Meters	27,740	27,809
Miles of Line	5,431	5,450
Average kWh Used - Residential	1,316	1,318
Average kWh Used - All	2,064	2,080

INVESTMENTS IN SECURITIES
As of December 31, 2015

	<u>2014</u>	<u>2015</u>
Investments - SW Ark. Telecomm. & Tech	\$ 85,816	\$86,302
Investments - AECC	15,983,742	24,843,162
ERC Loans	526,320	465,925
Patronage Capital AECC, AECCI	25,384,434	25,421,740
Patronage Capital CFC	730,697	802,403
Patronage Capital Other	572,417	645,872
Capital Term Certificates - CFC	1,234,072	1,230,360
Memberships	4,815	2,715
TOTAL INVESTMENTS	<u>\$ 44,522,313</u>	<u>\$53,498,478</u>

TAXES PAID BY COOPERATIVE
During Year Ended December 31, 2015

	<u>2014</u>	<u>2015</u>
COUNTY PROPERTY TAXES:		
Columbia County	\$ 1,964	\$2,058
Hempstead County	75,539	80,123
Howard County	113,545	119,010
Lafayette County	118,647	124,361
Little River County	112,608	122,357
Miller County	444,288	465,722
Polk County	56,857	61,392
Sevier County	109,409	114,678
Bowie County	<u>49,249</u>	<u>51,181</u>
TOTAL COUNTY TAXES	<u>\$ 1,082,105</u>	<u>\$1,140,884</u>
STATE TAXES:		
Arkansas Tax on Payroll	\$ 230,786	\$215,408
Oklahoma Gross Receipts	5,942	5,626
Arkansas Sales Tax	4,105,629	4,008,787
Oklahoma Sales Tax	5,824	6,987
Texas Sales Tax	29,844	32,255
Franchise or License Fees	281,068	337,624
Arkansas Unempl. Tax	<u>14,859</u>	<u>9,569</u>
TOTAL STATE TAXES	<u>\$ 4,673,952</u>	<u>\$4,616,255</u>
FEDERAL TAXES:		
Federal Tax on Payroll	\$ 855,063	\$836,727
Federal Soc. Sec. Tax	948,577	941,535
Federal Unempl. Tax	3,780	3,715
TOTAL FEDERAL TAXES	<u>\$1,807,420</u>	<u>\$1,781,977</u>
TOTAL TAXES - 12 mo.	<u>\$7,563,477</u>	<u>\$7,539,116</u>

KNOW YOUR DIRECTORS -

RUSSELL PENDERGRAFT, Chairman of the Board -

began serving on the board in 1994, became vice chairman in 2002 and was elected chairman of the board in 2010. He and his wife, Becky, have lived in Texarkana, Arkansas, since 1985. He has served as the County Executive Director for the Miller County Farm Service Agency for the past thirty-three years. He is a graduate with a Bachelor degree in animal science from the University of Arkansas. Currently, he is involved in a farming partnership growing crops of rice, corn and soybeans. Also, he has a cattle operation on his family farm in Hempstead County just north of Blevins, Arkansas. Presently, Mr. Pendergraft serves on the boards of Arkansas Electric Cooperatives, Inc., Electric Research & Manufacturing Cooperative (ERMCO) and the Miller County Drainage District. Also, he serves as a deacon at Beech Street First Baptist Church in Texarkana, Arkansas.

WARREN PLYLER, Vice Chairman of the Board -

became a member of the board of directors in 1997 and was elected vice chairman in 2010. He is past president of Springhill School Board of Directors, former chairman of Hempstead County Board of Tax Equalization and past member of Hempstead County School Board. He retired in 1996 after serving 28 years as Agency Manager of Hempstead County Farm Bureau. Presently, he serves on the Red River Commission. He and his family live in Red River bottoms south of Springhill Community in Hempstead County where they own and operate Clear Lake Farms. He and his family attend Unity Baptist Church in Hope.

DON STEMPLE, Secretary-Treasurer -

began his service on the board of directors in 1968 and became its secretary-treasurer in 1985. He is an AECC director. He lives at Gillham, in Sevier County, where he raises cattle. He is a graduate of Oklahoma State University. He is a director of the First State Bank of DeQueen, charter member of the Sevier County Water Association, member and former director of the Sevier County Cattleman's Association, member and former director of the Arkansas Cattleman's Association, and a member of the Sevier County Farm Bureau. He is a member of the Church of Christ and is a Master Mason.

G. E. CRABTREE, Director -

became a member of the board in 1973 and was vice chairman of the board from 1992-2002. He is a retired farmer and merchant and lives near Bradley, in Lafayette County. He is a graduate of Southern State College and is a member of the American Legion. He is a member of the Bradley United Methodist Church and is a member of its administrative board.

ANDY YOUNGBLOOD, Director -

began serving on the board of directors in 2014. He and his wife, Tracy, have two children, Ben and Matti. They live in Grannis, Polk County, where they farm using holistic management to raise cattle and sheep and run a commercial broiler operation. Mr. Youngblood holds a Bachelor of Science with a Major in Agriculture Business from Southern Arkansas University. He serves on the boards of Baker Cemetery and The Gathering of Christ Church. Mr. Youngblood and his family attend The Gathering of Christ Church in Cove, Arkansas.

RICKIE BARNARD, Director -

became a member of the board of directors in 1993. He lives in the Sharman Community near Taylor in Columbia County. He is a retired Wildlife Enforcement Officer. He is a graduate of Southern State College. He is a member of the Columbia County Farm Bureau and a member of the First Baptist Church of Magnolia where he serves as a deacon.

ALAN GREEN, Director -

became a member of the board of directors in 1997. He and his wife, Michelle, have four children, Kayla, Josh, Gage and Dieucotie. They live near Nashville, in Howard County, where he raises cattle. He is a State Certified General Appraiser who owns and operates Appraisal Associates of Nashville. In June 2009, he began working with Diamond Bank as a Staff Appraiser. A graduate of Harding University in Searcy, he received a BBA in Management. He is currently serving as Fire Chief of the Center Point Fire Department. He is a member of the Chapel Hill Church of Christ in Nashville.

JAMIE STEVENS, Director -

became a member of the board of directors in 1998. She lives in the Richmond community, Little River County. She retired in March 2000 from Georgia-Pacific's Ashdown Operations and recently retired from the United Methodist Church in Ashdown. She is a member of the Richmond United Methodist Church where she is a member of the Administrative Board, and does volunteer work in the schools and community.

TOMMY ISBELL, DVM, Director -

began his service on the board of directors in 2010. He and his wife, Glenda, live in Fouke, Miller County, Arkansas, where he practices veterinary medicine - mixed animal. He is a graduate of Texas A&M University where he received his Bachelor of Science and Doctor of Veterinary Medicine degrees. He and his wife are members of Walnut Church of Christ.

PRESIDENT & CEO: C. Wayne Whitaker

has been Cooperative President & CEO since March 1, 1986, and has been associated with the electric cooperative industry since 1975. Previously, he served at South Plains Electric Cooperative, Lubbock, Texas. Mr. Whitaker has a BBA Degree from Texas Tech University, a Masters of Science Degree in Management from Houston Baptist University, and is a graduate of the University of Nebraska Advanced Management Program. He represents Southwest Arkansas Electric on the Boards of Arkansas Electric Cooperative Corporation (AECC), Arkansas Electric Cooperatives, Inc. (AECI), Energy Conservation Electric Cooperative Corporation (ECECC), Total Power Inc. (TPI) and Arkansas Rural Electric Self-Insurance Trust. He is Vice Chairman of TPI and past Chairman of the Board of AECI, ERMCO, AECC and the Arkansas Rural Electric Self-Insurance Trust. Locally, Mr. Whitaker is a member of the Texarkana Chamber of Commerce and past member of the Board of Directors. He is past chairman of the Legislative Committee, and a past member of the "Committee of 15." Nationally, Mr. Whitaker is a past member of the National Rural Electric Cooperative Association Dues Committee and represented Region 8 on the Boards of Central Area Data Processing and the National Information Solutions Cooperative (NISC). From 2003 to 2009, Mr. Whitaker served on the Board of the National Rural Utilities Cooperative Finance Corporation (CFC). He represented the states of Arkansas, Oklahoma, Louisiana and Missouri on this national board. He served as chairman of the Finance Advisory Committee and also served on the Executive Committee and Building Committee. CFC is a national financing corporation for electric and telephone utilities and has over \$20 billion in assets. In 2010, Mr. Whitaker was again elected to serve on the national board of NISC. He was treasurer for the Board and served on the Executive Committee. NISC provides information technology services to over 550 electric and telephone cooperatives across the U.S. In addition, NISC provides "back room" services to other large organizations including Walmart, J.C. Penney, Target and the U.S. Postal Service.

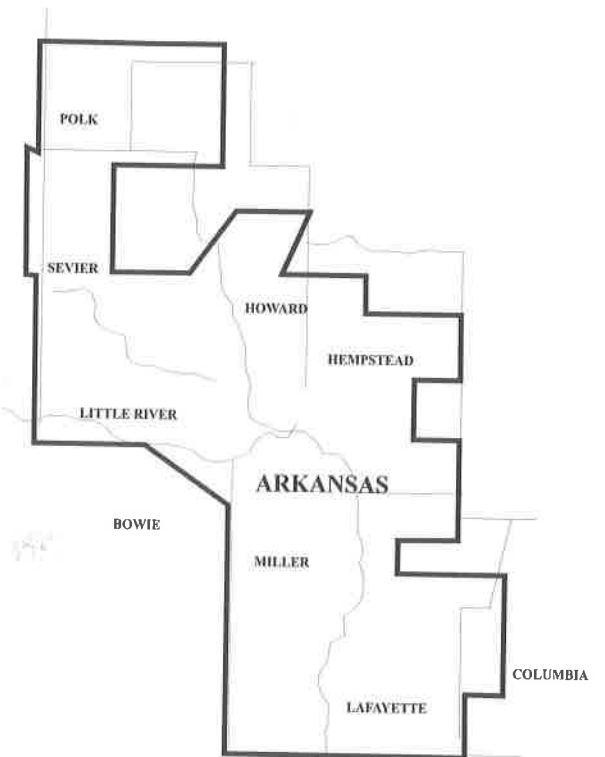
ATTORNEY: R. Gary Nutter -

an attorney of the law firm of Dunn, Nutter and Morgan, has represented the Cooperative as one of its attorneys since 1975. A graduate of the University of Arkansas, he has been practicing law in Texarkana since 1971. He is a member of the American Bar Association, Arkansas Bar Association, State Bar of Texas, Arkansas Association of Defense Counsel, American Board of Trial Advocates, International Association of Defense Counsel, Texas Association of Defense Counsel, and the Texarkana Bar Association. He is a member of the First United Methodist Church in Texarkana.

ASSOCIATED ORGANIZATIONS:

- AECC, Little Rock, ARWholesale Power-State
- AECI, Little Rock, AR.....Related Services-State
- ECECI, Little Rock, AR.....Energy Conservation-State
- NRECA, Washington, D.C.Related Services-National
- CFC, Dulles, VA.....Financing-National
- RUS, Washington, D. C.Fin., Admin., & Technical-National
- NRTC, Washington, D. C.....Telecommunications and Technology-National
- NISC, St. Louis, MO.....Information Technology-National
- NCSC, Herndon, VA.....Related Financing Services-National
- Federated Rural Electric Insurance Exchange, Lenexa, KSCommercial Casualty Insurance-National

SERVICE TERRITORY



STATISTICS:

Incorporated.....	August 25, 1937
First Line Energized.....	October 7, 1938
Meters Served.....	27,793
Miles of Line.....	5,450
Borrowed To Date.....	\$ 186,890,376
Principal To Date.....	\$ 87,200,971
Interest Paid for Current Year.....	\$ 3,904,463
Number of Employees.....	85
Annual Payroll.....	\$ 6,640,467.76
Wholesale Power Source.....	AECC

PERSONNEL OF COOPERATIVE as of December 31, 2015

C. Wayne WhitakerPresident & CEO

ADMINISTRATIVE AND GENERAL PERSONNEL:

Kecia Wolf, CPA, MBA Vice Pres. - Mem. Ser., Fin., Acct.
Rhonda Morrow Executive Assistant

Accounting Personnel:

Sydney Westbrook Controller
Carolyn Cornelius Work Order Accountant
Kelly Vaughan HR Specialist
Judy Edwards Accounts Payable Clerk

MEMBER SERVICES PERSONNEL:

Teresa Harris Manager of Member Services

Member Service & District Services Personnel:

Lori Morton Senior Member Service Rep.
Melanie Baird Member Service Rep.
Sandra Johnson Member Service Rep.
Ericka Christenson Member Service Rep.
Florizel Rios District Member Service Rep.
Sheri Richardson District Member Service Rep.
Tammy Briscoe District Member Service Rep.
Peggy Smith Member Service Rep.
Rose Martinez Member Service Rep.
Kim Lories Member Service Rep.
Cathy Thomason Member Service Rep.
Tammy Bussell Member Service Rep.
Nora White Member Service Rep.

OPERATIONS & ENGINEERING PERSONNEL:

Engineering Personnel:

George Wall Vice Pres. - Eng. & Operations

Engineering Services Personnel:

Scott Kennedy Manager of Engineering
Randy Rankin Manager of Metering/Scada Svcs.
Willie Keener Engineering Technician
Joseph Pawlak Engineering Technician
Todd Castleman Engineering Technician
Tyson Savell Manager of Information Technology Svcs.
Jeff Tollett IT Tech.
Justin Moore IT Tech IV
Scott Sigle IT Tech IV
Jeff Douglas IT Tech III
Melinda Wolf System Operations Tech II
Laura Rogers System Operations Tech II
Mike Pollard Manager of Construction/Staking Services
Roy Favre Staking Technician

Greg Hagood Staking Technician
David McDowell Staking Technician
Jayson Wardlow Staking Technician
David Plunk Staking Technician

Operations Services Personnel:

Kirk Duncan Manager of Operations
Neal Fletcher Manager of Safety and Purchasing
Eric Collum Laborer

Texarkana District:

David Hickerson District Manager
Bobby Fenton Foreman
Doug Huett Serviceman
Todd Newberg Serviceman
Donnie Kelley Serviceman
Jeremy Lindsey Lineman
Jason Giacomoni Lineman
Greg Hensley Lineman
Jason Alexander Lineman
Robbie Robinson Lineman
Cobie Bearden Lineman

Nashville District:

Scottie Morris District Manager
Randy Watts Foreman
Jimmy Sharp Serviceman
Alex Reid Serviceman
Mark Wall Lineman
Emmett Ray Lineman
Ted Kitchens Lineman
Eric Shelley Lineman
Jonathan Bagley Lineman

DeQueen District:

John Waldon District Manager
Jimmy McCoy Foreman
Sam Young Serviceman
Troy Allen Serviceman
Donald McGuffin Serviceman
Greg Smith Staking Technician
Joey Rogers Lineman
Bryant Scott Russell Lineman
Brandon Winer Lineman
Thomas Whitt Lineman

Bradley District:

Richard Morton District Manager
Ryan Hays Foreman
Mark Hollis Serviceman
Thomas Teague Serviceman
Terry Lee Lineman
Todd Spakes Lineman
Kyle Thomason Apprentice Lineman II
Wm. Alex Wright Apprentice Lineman IV
Brennan Plunk Apprentice Lineman I

**SUMMARY OF BYLAWS
OF THE COOPERATIVE**

Pertaining to membership, annual meetings, board representation,
nomination and election procedures for electing directors

ARTICLE I - MEMBERSHIP

Section 01 and 02. Any natural person, firm, association, corporation, business trust, partnership, federal agency, state or political subdivision thereof or body politic may become a member of the Cooperative by: (a) making an application for membership; (b) agreeing to purchase electric energy from the Cooperative (c) agreeing to comply with and be bound by the Articles of Incorporation, Bylaws, and Rules and Regulations of the Cooperative; and (d) paying a membership fee.

Section 03. Membership fee, security deposit, connection fee, etc. shall be fixed from time to time by the Board.

Section 04. A husband and wife may apply for joint membership.

Section 10. Members are exempt from liability for the debts of the Cooperative.

**ARTICLE II - MEMBERSHIP SUSPENSION AND
TERMINATION AND REPAYMENT OF FEES,
DIVIDENDS AND CLAIMS**

Section 01. Membership may be suspended or terminated upon failure to pay amounts due.

ARTICLE III - MEETINGS OF MEMBERS

Section 01. The annual meeting of members shall be held in March at a time and place designated by the Board of Directors, for the purpose of electing director, passing on reports, and transacting other business.

Section 02. Special meetings of members may be called by (a) the Board of Directors; (b) any three directors; (c) the chairman, or; (d) 10% or more of the members.

Section 03. Written notice of meetings of members stating the purpose or purposes of the meeting shall be delivered or mailed to each member before the date of the meeting.

Section 04. One hundred fifty members present in person or represented by proxy shall constitute a quorum for the transaction of business at all meetings of the members.

Section 05. Each member shall be entitled to one vote only on each matter submitted to a vote at meetings of members.

Section 06. (a) A member shall vote in person or by proxy executed by the member; (b) all proxies shall be in writing; (c) proxies shall be received by the Cooperative not later than 12:00 noon on the day preceding the Annual Meeting; (d) Board of Directors to determine validity; (e) proxy shall appoint a member of the Cooperative to cast the proxy vote; (f) undesignated proxies; (g) preparation of proxy and replacement proxy.

ARTICLE IV - DIRECTORS

Section 01. The Board of Directors shall consist of nine directors, who shall have the authority to manage the business and affairs of the Cooperative.

Section 02. For the purpose of board representation, the territory of the Cooperative shall be divided into districts. Directors may be elected by a plurality vote of the members present or represented by proxy at the meeting.

Section 03. A Director (a) shall be a member of the Cooperative, (b) is receiving service within the district he is elected to represent, (c) has his legal residence within the county or counties of the district which he represents, (d) is not employed or financially interested in a competing enterprise or business selling electric energy or supplies, (e) is not a close relative of an incumbent director or employee, (f) has not been employed by the Cooperative within five (5) years prior to election as director.

Section 04. The Board of Directors shall appoint a Nominating Committee of not less than five members to nominate candidates when directors are to be elected. The Committee shall prepare and post a list of the nominations at the principal office of the Cooperative at least twenty days before the meeting. At the meeting of the members, additional nominations shall be called for from the floor and nominations shall not be closed until at least one minute has passed during which no additional nomination has been made. No member may nominate more than one candidate.

Section 05. Vacancies occurring in the Board of Directors between annual meetings of the members of the Cooperative shall be filled by a majority vote of the remaining directors. A director thus elected shall serve the remainder of the term of the director whose vacancy was filled by him.

Section 06. Members may remove a director for cause.

Section 07. Directors as such shall not receive any salary for their services, but other expenditures may be authorized

The above is only a summary of a portion of the Bylaws of the Cooperative. Copies of the Bylaws are available at the headquarters office of the Cooperative and members may obtain a copy by writing or calling the Headquarters Office in Texarkana, Arkansas.

**RATE SCHEDULES OF COOPERATIVE
as of December 31, 2015**

Rate Schedule A - This rate applies to single-phase electric service to residential, farm, small commercial, schools, churches, public buildings, lake houses, cabins, pasture pumps, and other rural customers.

Rate Schedule A (Summer: May-October)

1. Customer Charge:
All Customers.....\$8.50/Month
2. Energy Charge:
First 500 kWh\$0.10891/kWh
Over 500 kWh.....\$0.09392/kWh
3. Minimum Bill:
All Customers.....\$8.50/Month

Rate Schedule A (Winter: November-April)

1. Customer Charge:
All Customers.....\$8.50/Month
2. Energy Charge:
First 500 kWh\$0.10891/kWh
Over 500 kWh.....\$0.08472/kWh
3. Minimum Bill:
All Customers.....\$8.50/Month

Rate Schedule B - This rate applies to three-phase electric service to the same classification of customers as Rate Schedule A up to loads requiring 50 KVA or less of transformer capacity.

Rate Schedule B

1. Customer Charge:
All Customers.....\$17.70/Month
2. Energy Charge:
First 1,000 kWh\$0.10672/kWh
Over 1,000 kWh.....\$0.08220/kWh
3. Minimum Bill shall be higher of:
(a) \$17.70 per Month.
(b) \$1.50 per Transformer KVA/Mo.
(c) Minimum in Agreement.

Rate Schedule F - This rate applies to cathodic protection of pipe lines.

Rate Schedule F

1. Customer Charge:
All Customers.....\$10.75/Month
2. Energy Charge:
First 500 kWh\$0.14724/kWh
Over 500 kWh.....\$0.12724/kWh
3. Minimum Bill:
All Customers.....\$10.75/Month

Rate Schedule LP - This rate applies to single-phase and three-phase electric service to commercial and industrial type customers having loads requiring more than 50 kVA of transformer capacity.

Rate Schedule LP

1. Customer Charge:
All Customers.....\$8.70/Month
2. Demand Charge:
All KW of Billing Demand\$6.26/kW
3. Energy Charge:
First 100 kWh per KW.....\$0.05441/kWh
Over 100 kWh per KW\$0.04940/kWh
4. Minimum Bill shall be higher of:
(a) \$90.00 per Month.
(b) \$1.50 per Transformer kVA/Mo.
(c) Minimum in Agreement.

Rate Schedule MVL - This rate applies to controlled individual outdoor lighting from dusk to dawn.

Rate Schedule MVL

<u>Type and Size of Security Light</u>	<u>KWH Used Per Mo</u>	<u>Charge Per Light</u>
Sodium - 100 Watt	74	\$8.38
Sodium - 400 Watt	170	\$17.50

Rate Schedule STL - This rate applies to controlled multiple outdoor lighting from dusk to dawn for public use.

Rate Schedule STL

<u>Type and Size of Security Light</u>	<u>KWH Used Per Mo</u>	<u>Charge Per Light</u>
Sodium - 100 Watt	74	\$7.56
Sodium - 400 Watt	170	\$16.75

Cost Adjustments - The following cost adjustments shall apply to each of the above rate schedules.

1. Fuel Cost Adjustment - The Energy Charge to the customer shall be increased or decreased by an amount sufficient to compensate the seller for any increase or decrease in fuel cost adjustment charges, above or below \$.0362974 per kWh sold in connection with power and energy purchased at wholesale.

2. Cost of Debt Adjustment - The Energy Charge to the customer shall be increased or decreased by an amount sufficient to compensate the seller for any increase or decrease in its embedded cost of long-term debt above or below the embedded amount of \$3,623,765, with a calculation factor based on a 1.80 Times Interest Earned Ratio coverage.

3. Tax Adjustment - The above rate shall be subject to an increase or decrease in proportion to the amount of new or revised excise, license, privilege or franchise taxes (except ad valorem and income taxes) which the seller may hereafter have to pay, which are levied or imposed, or increased, or decreased by laws or ordinances. Such adjustments shall be recovered only from those customers within jurisdictional boundaries of the taxing bodies and shall be referenced on the face of the bill. Tax adjustments shall be collected in the same manner in which taxes are incurred.

The above Rate Schedules are applicable to customers of the Cooperative in Arkansas and Texas. Rate Schedules applicable to customers in Oklahoma are slightly different. Copies of all Rate Schedules are available at the headquarters office of the Cooperative in Texarkana, Arkansas.

Present and Future Electric Power Plants Owned and to be Owned by AECC to Furnish Generating Capacity for Your Cooperative and Sixteen Other Electric Cooperatives in Arkansas.

Name of Plant	Location	Year in Service	Type of Fuel	Owned by AECC	Capacity Owned (kW)
SPA	Various	--	Hydro	N/A	189,000
Fitzhugh	Ozark	1963	Oil	100%	59,000
Bailey	Augusta	1966	Oil	100%	122,000
McClellan	Camden	1971	Oil	100%	134,000
Flint Creek	Gentry	1978	Coal	50%	264,000
White Bluff	Redfield	1981	Coal	35%	285,000
White Bluff	Redfield	1981	Coal	35%	299,000
Independence	Newark	1983	Coal	35%	293,000
Independence	Newark	1984	Coal	35%	293,000
Turk Plant	Hempstead	2012	Coal	11.667%	70,000
Clyde T. Ellis	Barling	1988	Hydro	100%	33,000
Carl S. Whillock	Morrilton	1993	Hydro	100%	33,000
Arkansas Employees	Dumas	1999	Hydro	100%	102,600
Fulton	Fulton	2001	Gas	100%	153,000
Oswald	Oswald	2005	Gas	100%	548,000
Elkins	Elkins	2010	Gas	100%	40,000
Magnet Cove	Magnet Cove	2012	Gas	100%	660,000
BP Wind	Kansas	2012	Wind	100%	51,000
Total Present Capacity in Power Plants					3,628,600

STATEMENT OF NONDISCRIMINATION

This institution is an equal opportunity provider and employer

Southwest Arkansas Electric Cooperative Corporation is the recipient of Federal financial assistance from the Rural Utilities Service, an agency of the U. S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U. S. Department of Agriculture which provide that no person in the United States on the basis of race, color, religion, sex (including pregnancy), national origin, age, disability, or genetic information, shall be excluded from participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is C. Wayne Whitaker, President and CEO. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov. USDA is an equal opportunity provider and employer. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.

**ANNUAL MEETING OF THE MEMBERS OF THE SOUTHWEST
ARKANSAS ELECTRIC COOPERATIVE CORPORATION**
March 28, 2015

The Annual Meeting of the Members of Southwest Arkansas Electric Cooperative Corporation was held at the Headquarters Building, 2904 East Ninth Street, Texarkana, Arkansas, at 1:00 p.m., Saturday, March 28, 2015.

The meeting was called to order by Rusty Pendergraft, Chairman of the Board, who presided; and Don Stemple, Secretary-Treasurer of the Cooperative, kept the minutes thereof.

The invocation was given by Rickie Barnard, Director from Columbia County. Wayne Whitaker, the President, introduced the Directors and guests. Gary Nutter, attorney, was appointed to preside over the meeting, and he explained the order of business and the rules governing the proceedings.

The Chairman reported that 33 members were present in person at the meeting and that 2,097 members were present by proxy, and that these members constitute a quorum for the transaction of business at the meeting. On motion made and seconded, further calling of the roll was dispensed with.

A copy of the Official Notice of the Annual Meeting of Members was presented together with proof of the due mailing thereof on March 12, 2015, to all members of the Cooperative. On motion duly made and seconded, the following notice was ordered to be made a part of the minutes of this meeting.

**OFFICIAL NOTICE
ANNUAL MEETING OF MEMBERS
of
SOUTHWEST ARKANSAS ELECTRIC COOPERATIVE
CORPORATION**

Dear Member:

Notice is hereby given that the 2015 Annual Meeting of Members of Southwest Arkansas Electric Cooperative Corporation will be held March 28, 2015, in the Headquarters Building at 2904 East Ninth Street, in Texarkana, Arkansas, beginning at 1:00 o'clock P.M. for the following purposes:

1. To pass on reports for the previous fiscal year;
2. To ratify any and all action heretofore taken or done by the Board of Directors or Members of the Cooperative;
3. To elect one (1) director for the Cooperative;
4. To transact such other business as may properly come before the meeting.

Respectfully,
/s/ Don Stemple
DON STEMPLER, Secretary

Copies of the minutes of the Annual Meeting of Members held March 29, 2014, were presented. On motion made and seconded, reading of the minutes was dispensed with, and the minutes were approved and ordered filed with the corporate records of the Cooperative.

A list of the delinquent accounts of former members considered to be uncollectible was presented. Motion was made, seconded, and carried to authorize the charge-off of 678 uncollectible accounts amounting to \$280,805.44 and a list of the charged-off accounts was ordered filed in the records of the Cooperative.

Written and verbal reports were given to the members. After a question and answer period, motions were made, seconded, and carried to approve the reports and to ratify all actions heretofore taken or done by the Board of Directors.

A report of the Nominating Committee was called for: The following report was made:

We, the undersigned members of the Nominating Committee appointed by the Board of Directors at a regular meeting held January 26, 2015, place in nomination the following member of Southwest Arkansas Electric Cooperative Corporation as candidate for Director of the Cooperative subject to election at the Annual Meeting of Members to be held March 28, 2015:

Hempstead County: Warren Plyler

Signed: Russell Pendergraft
Don Stemple
G. E. Crabtree
Jamie Stevens
Andy Youngblood
Tommy Isbell
Rickie Barnard
Alan Green

Dated: February 18, 2015

Nominations from the floor were called for, and after receiving none, the Attorney declared that the nominations were closed and that the vote would be by written ballot.

An Election Committee was selected consisting of the following members: Johnny Burnett, Raymond Jones and Johnny Hernandez. Ballots were distributed to the members and after the vote was taken, the ballots were delivered to the Election Committee for counting.

Upon completion of the counting of the ballots, a Certificate of the Election Committee was presented, certifying the election of the following director to serve term as provided by the Bylaws:

Hempstead County: Warren Plyler

The Certificates of the Election Committee were order filed with the corporate records of the Cooperative.

There being no further new or unfinished business to come before the meeting, the meeting adjourned.

/s/ Rusty Pendergraft, Chairman of the Board
/s/ Don Stemple, Secretary

PROGRAM
SATURDAY AFTERNOON
MARCH 26, 2016

Registration 12:00 p.m.
Call to Order 1:00 p.m.
Invocation Rickie Barnard
Business Meeting Chairman of the Meeting Presiding
Roll Call and Declaration of Quorum
Reading of Notice, Minutes, etc.
Reports to the Members
Report of the Nominating Committee
Election of Director
Any New Business
Any Unfinished Business
Drawing for Door Prizes
Adjournment 2:00 p.m.

Results of the Election of Director will be reported in the
May issue of the Arkansas Living Magazine.