Stability & Vision
In A World of Change

Shelby Electric Cooperative

Friday, June 15, 2007
Shelby County 4-H Fairgrounds
Shelbyville, IL 62565

2007 Annual Meeting

Shelby News • June 2007 • Volume 6, Issue 6
Agenda

National Anthem
Call to Order ...................................................... Darrell Shumard, Chairman
Invocation
Legal Call to the 69th Annual Meeting ................................ Lawrence Oller, Secretary
Introduction of Scholarship Winners ......................................... Darrell Shumard
Appointment of Committees .............................................. Darrell Shumard
Approval of Minutes of Previous Meeting as Printed in Notice ............. Darrell Shumard
IL Representative - NRECA Youth Leadership Council ................. Marlene Walker
Chairman's Report .................................................... Darrell Shumard
Treasurer's Report .................................................... Richard Boggs, Treasurer
Report of Credentials Committee ....................................... Committee Chairman
Report of Nominating Committee ...................................... Forrest Keaton, Attorney
Election of Directors ................................................ Forrest Keaton, Attorney
President/CEO's Report ............................................. James E. Coleman, President/CEO
Report of Inspectors of Election ....................................... Committee Chairman
Attendance Awards ................................................ James E. Coleman
Adjournment

Official Meeting Notice

The annual meeting of the members of Shelby Electric Cooperative will be held at the Shelby County 4-H Fairgrounds at Shelbyville, Illinois, 1 p.m. on Friday, June 15, 2007, to take action upon the following matters:

1. The report of secretary and treasurer;
2. The 2006 operating report;
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 two directors scheduled for election from Districts 3 and 6 at this meeting, the following members have been nominated for directors by the committee or nominations appointed by the board of directors of the cooperative and by petition of members pursuant to the bylaws, two for a term of three years.

<table>
<thead>
<tr>
<th>District #</th>
<th>Name</th>
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<tbody>
<tr>
<td>3</td>
<td>J. Mark Lash</td>
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<tr>
<td>6</td>
<td>John M. Scott</td>
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Additional nominations for directors may be made at this meeting.

Dated at Shelbyville, Illinois, this 1st day of June, 2007.

Lawrence Oller, Secretary
Stability And Vision ... In A World Of Change

Electric cooperatives are private, independent electric utilities, owned by the members they serve. As democratically governed businesses, electric cooperatives are organized under the Rochdale Principles, a set of cooperative rules that firmly anchors co-ops in the communities they serve and ensures that co-ops are locally controlled by members. These principles help ensure our stability and that our vision for the future is focused on the needs of our members.

Electric cooperatives began to spread across rural America after President Franklin D. Roosevelt created the Rural Electrification Administration (REA) in 1935. The Executive Order establishing the REA and the passage of the REA Act a year later marked the first steps in a public-private partnership that has lasted more than 70 years.

Today, as the deregulated energy market continues to evolve, we’ve seen how the co-op foundation laid 70 years ago continues to provide stability for co-op members. The average individual consumer faces great risk in a deregulated electricity marketplace. Co-ops provide a buffer to help manage that market risk. Already in Illinois several new energy-purchasing organizations are helping consumers caught in the deregulated market form energy buying associations. It’s called aggregation. Co-ops are natural aggregators of individual consumer buying power.

As President/CEO of your cooperative, I, along with your co-op employees and board of directors, have a responsibility to honor the vision of the founding members of this co-op. Rural electrification improved the quality of life of our grandparents. Just imagine what they would think if they could see how their vision has grown from powering one small light bulb to literally powering our access to the world through our computers and the Internet.

Times have certainly changed since Shelby Electric Cooperative was first established. Our goal, however, has always been to provide reliable, affordable electric service and improve the quality of life in the rural areas we serve. Through the years we’ve grown and added new products and services. For example, we offer propane sales and service, an interruptible rate with the purchase of a generator and DirecTV/WildBlue sales and service.

Our vision for the future includes innovative new utility technologies that will help us continue to provide reliable service at the lowest possible cost. We continue to stay on top of technology by utilizing AMR, GIS and a SCADA outage management system.

We have always found that working together with other co-ops enhances our stability. Through our statewide association and with other Illinois co-ops we have an emergency work plan. Through it we can call on other co-ops for help during major outages. The value of this cooperation was demonstrated after Hurricane Katrina and more recently here in Illinois after the terrible ice storm in December.

We also maintain an alliance with 22 co-ops in Illinois and 630 co-ops across the nation through our membership in Touchstone Energy*. Together, through Touchstone Energy, we’ve been able to create new programs like the Co-op Connections Card that gives you discounts at local and national businesses, the online Home Energy Savings energy audit program, an economic development program called Sites Across America, Classroom Empowerment Grants and the Get Charged energy education program.

Shelby Electric Cooperative strives to operate efficiently while sticking to our mission of providing affordable, high-quality and reliable electric services. We are doing everything possible to keep your electricity affordable, by automating operations where possible and by setting reasonable budgets that do not sacrifice reliability and service. We have no control, however, over the market price of fuels needed to generate electricity. The cost of fuels, such as natural gas and coal, are increasing steadily. A tremendous increase in world energy demand, rising coal shipping costs, the uncertainty in the Middle
East and unprecedented storms in the U.S. have significantly contributed to the increasing cost of energy.

We are committed to minimizing the impact of rising power costs by being proactive in our planning, offering energy efficiency programs to you and focusing on maintaining the reliability, quality and integrity of our electric distribution system.

Many of you remember the energy crisis of the 1970s. It's important to know that there are some similarities between then and now. Prior to both 1973 and 2006, we enjoyed periods of low-cost energy. In 1973, the world was experiencing political unrest and economic instabilities. In 2006, the situation was much the same. Low cost and high availability of energy has made us complacent about conservation. Taking lessons from the 1970s, we must all learn to work together to use energy more wisely. This responsibility rests on the shoulders of us all, from the lawmakers who set energy policy, to your cooperative, to the individual businesses and homeowners. We all have an important role to play.

You can help us keep costs affordable by looking for ways to conserve energy in your home, farm or business. This is especially important during periods of peak demand, normally during the summer air-conditioning season. A few easy ways to help are: make sure you turn off all unnecessary lights, shut down computers and other office equipment when they're not being used, don't heat your home higher than 68° in the winter or cool it below 78° in the summer and keep hot showers as short as possible. These are just a few ways you can help conserve energy. For more tips visit our Web site or contact our office.

If you're building a new home, please call the office to find out how you can get a Certified Comfort Home book. It is free and gives you step-by-step guidelines on how to build an energy efficient home. Also, remember that building and/or making qualified improvements to your home can qualify you for a tax credit this year.

You can also contact us and request an energy audit. This free service allows a trained professional from our office to come to your home or business and evaluate your energy use. We'll help you find ways to use energy wisely.

Switching to budget billing and/or automatic payment options are two ways to add some stability and convenience to your monthly expenses. Your highest energy bills are in the winter and summer. Spreading those costs out with our budget-billing program is a guaranteed way to add more stability to your monthly expenses. And, you can also have your payments automatically withdrawn each month from an account you designate.

Energy prices are rising. There's no way around that. But preparing you with the energy-saving tips listed above, and by having your co-op's team of dedicated employees and directors working for you, we can all do our part. We're committed to you, our members, and we promise to continue to work on your behalf to make sure we are providing the best possible service at the lowest possible cost.

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**2007 Nominating Committee**

A meeting of the nominating committee was held at Oak Terrace in Pana on April 25, 2007. The committee nominated candidates for election to two seats from Districts 3 and 6 for the board of directors. J. Mark Last of Findlay and John M. Scott of Pana.

**Raymond Tomei**  
1377 E. 900 N. Rd.  
Taylorville, IL 62568

**John A. Carr, Jr.**  
3124 E. Ridlen Rd.  
Dalton City, IL 61925

**Roy Childress**  
R.R. #3, Box 46  
Shelbyville, IL 62565

**Elaine Beery**  
R. R. #1, Box 95  
Findlay, IL 62534

**Tom Roland**  
25144 N. 23rd Ave.  
Nokomis, IL 62075

**Lowell Beck**  
310 W. Brown St.  
Stonington, IL 62567

**George Schlechte**  
R1 Box 78  
Strasburg, IL 62465
Election of Directors

SHELBY ELECTRIC COOPERATIVE
JUNE 15, 2007 — SHELBYVILLE, ILLINOIS

District 3
Director (Vote for one) J. Mark Lash, Findlay
(3-Year Term)

District 6
Director (Vote for one) John M. Scott, Pana
(3-Year Term)

2007 Anniversary Dates:

Employees:

1 Year
Marla Pruemer

5 Years
Jim Miller

10 Years
Craig Atteberry
Brian Bunton
Chrissy Grant
Blake Summers

35 Years
Jeff Price

40 Years
Bill Shoaff

Directors:

5 Years
Jim McCoy
SIXTY-EIGHTH ANNUAL MEETING OF THE SHELBY ELECTRIC COOPERATIVE

The Sixty-eighth Annual Meeting of the members of the Shelby Electric Cooperative was called to order by Chairman of the Board Darrell Shumard in the Shelby County 4-H Auditorium, Shelbyville, Illinois, at 1:00 p.m., Friday, June 16, 2006. The National Anthem was sung by Crystal Blackwell. The invocation was delivered by Reverend Tom Compton of the First United Methodist Churches in Findlay and Assumption.

Secretary Larry Oller then read to the members the Legal Call of the Sixty-eighth Annual Meeting of members which was as follows:

LEGAL CALL

LARRY OLLER, being first duly sworn on oath, deposes and says that he is the duly elected, qualified and acting Secretary of Shelby Electric Cooperative; that on the 2nd day of June, A.D. 2006, he mailed to each member of the Cooperative at the address as it appears in the records of the Cooperative a notice of the Annual Meeting of the members of the Cooperative to be held on June 16th, 2006, by depositing the notice, with postage prepaid, addressed as aforesaid, in the United States Mail, and that the following is a true and correct copy of the said Notice of said notice of said meeting mailed as aforesaid.

(SIGNED) LAWRENCE D. OLLER
SECRETARY

Subscribed and sworn to before me this 16th day of June, A.D. 2006.

(SIGNED) FORREST G. KEATON
NOTARY PUBLIC

After the reading of the Legal Call, Chairman of the Board Shumard introduced the Board of Directors, the Auditor, Duane Noland, President and CEO of the Association of Illinois Electric Cooperatives and other AIEC staff members, former Director Robert Primmer, former director Neil Pistorius, and officers attending from other Cooperatives.

Chairman of the Board Shumard introduced Sarah Hoene of Shelbyville, Joseph Raab of Taylorsville and Renea Herbert of Pana as the winners of the Shelby Electric scholarships. Chairman of the Board Shumard also introduced Marlene Walker from Windsor who was a Cooperative youth representative and was elected to serve on the National Youth Board.

Chairman of the Board Darrell Shumard appointed the following members of the Shelby Electric Cooperative to serve on the Credentials Committee:

Randy Presnell, Chairman
Donald W. Matheny
Alfred B. Buckles
Chairman of the Board Shumard also appointed the following members of the Cooperative to serve as Inspectors of Election:
Kathy A. Lantz, Chairman
Gayle Barker
Mark D. Steele

Chairman of the Board Shumard called for and received the Report of the Credentials Committee, which was read to the meeting by Randy Presnell, Chairman of the Credentials Committee; said Report being as follows:


We, the undersigned members of the Committee on Credentials appointed to serve for the 68th Annual Meeting of the Shelby Electric Cooperative, held June 16, 2006 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 members of the Shelby Electric Cooperative present for the 68th Annual Meeting, and report as follows:
That the total numbers of members present in person are 493;
That the total numbers of members presenting duly executed proxies are 3.
Making a total of 496 members present in person or by proxy.

Dated this 16th day of June, A.D. 2006.

Randy Presnell
Donald W. Matheny
Alfred B. Buckles
Members of the Credentials Committee

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

Chairman Shumard then delivered his report as Chairman of the Board of Directors of the Cooperative.

Chairman of the Board Shumard announced that written copies of the minutes of the Sixty-seventh Annual meeting of the members, held on June 17th, 2005, had 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 Robert Primmer, seconded by member Ralph Beals, the minutes as published were approved by vote of the membership.

Chairman of the Board Shumard then introduced the Cooperative Treasurer, Richard Boggs, who reviewed his Annual Report as published, and delivered to the members of the annual meeting further remarks.

After review of the Report of the Cooperative Treasurer, on motion of member Edna Mae Simmons, seconded by member Robert Primmer, said Report was received and unanimously approved by vote of the membership.

Chairman of the Board Shumard explained to the Members the proposed changes to the Bylaws of the Cooperative recommended by the Board of Directors. On motion of member Ralph Beals, seconded by member Barbara Sledge, and approved by vote of the membership, the following provisions of the Bylaws of the Cooperative were amended and added to provide as follows:

ARTICLE I
Membership

Section 1. Classes of Members. Shelby Electric Cooperative shall have two classes of members. Class A members shall receive electric energy services from the Cooperative, shall be entitled to be elected a director of the Cooperative, and shall have capital credits accrue based on their patronage for electric energy services. Class B members shall receive services other than electric energy services from the Cooperative and shall have capital credits accrue based on their patronage for services other than electric energy services. Except as provided below, Class B members shall not be entitled to vote at any annual or special meeting of the members of the Cooperative, and shall not be eligible to serve as a director of the Cooperative, provided, that the Cooperative board of directors may, at its discretion, expand the number of Cooperative directors by up to two (2) additional directors to represent Class B members, after which Class B members would be eligible to serve as a director of the Cooperative representing Class B members,
provided further, that if the Cooperative board of directors expands the number of Cooperative directors to represent Class B members, that Class A members would be entitled to vote only for the election of Class A directors and Class B members would be entitled to vote only for the election of Class B directors, provided further that the board of directors may appoint the initial director or directors to represent Class B members and that said director or directors shall serve a three-year term.

Section 2. Requirements for Membership for Class A Members. Any person, firm, association, corporation, or body politic or subdivision thereof, will become a member of Shelby Electric Cooperative as a Class A member upon receipt of electric energy services from the Cooperative, provided that he or it has first:

(a) Made a written application for membership therein;

(b) Agreed to purchase from the Cooperative electric energy services as hereinafter specified;

(c) Agreed to comply with and be bound by the Articles of Incorporation and Bylaws of the Cooperative and any rules and regulations adopted by the Board of Directors. No member may hold more than one membership in the Cooperative, and no membership in the Cooperative shall be transferable, except as provided by these bylaws. If a member receives electric energy services from the Cooperative, that member shall be a Class A member, and cannot also be a Class B member even if that member also receives services other than electric energy services from the Cooperative.

A person, firm, association, corporation, or body politic or subdivision thereof, shall be ineligible to become a Class A member and to receive electric energy services from the Cooperative if the applicant for membership (1) occupies property that is also occupied by a Class A member or former Class A member who owes a delinquent bill for electric energy provided to the property (2) occupied the property when the Class A member or former Class A member incurred the delinquent bill. If the applicant, Class A member, or former Class A member is a firm, association, or corporation, each owner, partner, member, or shareholder of such firm, association or corporation shall be deemed to be the applicant, Class A member, or former Class A member for purposes of this provision.

Section 3. Requirements for Membership for Class B Members. Any person, firm, association, corporation, will become a Class B member of the Cooperative upon receipt of services other than electric energy services from the Cooperative, provided that he or it has first:

(a) Made a written application for membership therein;

(b) Agreed to purchase from the Cooperative one or more of the services provided by the Cooperative other than electric energy services; and

(c) Agreed to comply and be bound by the bylaws of the Cooperative and any rules or regulations adopted by the Board of Directors.

A Class B membership is nontransferable. If a Class B member begins to take electric energy services from the Cooperative, the Class B member will become a Class A member and cease to be a Class B member even if continuing to receive services other than electric energy services from the Cooperative.

A person, firm, association, corporation, or body politic or subdivision thereof, shall be ineligible to become a Class B member and to receive services other than electric energy services from the Cooperative if the applicant for membership (1) occupies property that is also occupied by a Class B member or former Class B member who owes a delinquent bill for services other than electric energy provided to the property and (2) occupied the property when the Class B member or former Class B member incurred the delinquent bill. If the applicant, Class B member, or former Class B member is a firm, association, or corporation, each owner, partner, member, or shareholder of such firm, association or corporation shall be deemed to be the applicant, Class B member, or former Class B member for purposes of this provision.

Section 5. Membership Certificates. Membership in the Cooperative shall be evidenced by either a Class A or Class B membership certificate which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman and the Secretary of the Cooperative, and the corporate seal shall be affixed thereto. In case certificate is lost, destroyed, or mutilated, a new certificate may be issued thereupon upon such uniform terms and indemnity to the Cooperative as the Board of Directors may prescribe.

Section 6. Joint Membership. A husband and wife 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 a husband and wife 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:

(a) The presence at a meeting of either or both shall be regarded as the presence of one (1) member and shall constitute a joint waiver of notice of meeting;

(b) The vote of either separately or both jointly shall constitute one (1) joint vote;

(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 terminate the joint membership;

(f) Withdrawal of either shall terminate the joint membership; and

(g) Either but not both may be elected or appointed as an officer or director, provided that both meet the qualifications for such office.

Section 7. Conversion of Membership. (a) A membership may be converted to a joint membership upon a written request of the holder thereof, and the agreement by such holder and his or her spouse to comply with the Articles of Incorporation, bylaws and the rules and regulations adopted by the Board of Directors. The outstanding membership certificate shall be surrendered and shall be reissued by the Cooperative in such a manner as shall indicate the changed membership status.
(b) Upon the death of either spouse who is a party to the joint membership, such membership shall be held solely by the survivor. The outstanding membership certificate shall be surrendered and shall be reissued in such manner as shall indicate the changed membership status, provided however that the estate of the deceased shall not be released from debts due the Cooperative.

Section 8. Purchase of Electric Energy Services. Each Class A member shall purchase from the Cooperative all electric energy purchased for use on the premises specified in his Application for Membership, and shall pay therefore at rates which shall from time to time be fixed by the Board of Directors. If a member has more than one service, it may be separately metered and/or billed to the Member receiving such services. The member shall pay the rates for electric energy or other services, which shall from time to time be fixed by the Board of Directors. Production or use of electric energy on such premises, regardless of the source thereof, by means of facilities which shall be interconnected with the Cooperative facilities, shall be subject to appropriate regulations as shall be fixed from time to time by the Cooperative. Payment for electric services shall include, for each member, a subscription to the Illinois Country Living, or its successor publication, published by the Association of Illinois Electric Cooperatives, or a newsletter from the Cooperative. It is expressly understood that amounts paid for electric energy in excess of the cost of services, are furnished by members as capital, and each member shall be credited with the capital so furnished as provided in the bylaws. Each member who receives electric energy services shall pay to the Cooperative such minimum amount, regardless of the amount of electric energy purchased for use, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall become due and payable.

Section 9. Termination of Membership.

(a) Any member, either a Class A or Class B, may withdraw from membership upon compliance with such uniform terms and conditions as the Board of Directors may prescribe. The Board of Directors may, by the affirmative vote of not less than two-thirds of all members of the Board of Directors, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board of Directors, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion, and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by a vote of the Board of Directors or by a vote of the members at an annual or special meeting. The membership of a Class A member who, for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or a Class B member who has ceased to purchase services from the Cooperative other than electric energy services, may be canceled by resolution of the Board of Directors.

(b) Upon the withdrawal, death, cessation of existence or expulsion of either a Class A or Class B member, the membership of such member shall terminate, and the membership certificate of such member shall be surrendered forthwith to the Cooperative. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

ARTICLE II
Meetings of Members

Section 1. Annual Meeting. An annual meeting of the members shall be held between the 15th day of January and the 15th day of September, both dates inclusive, within the area served by the Cooperative, at such hour and place as shall be designated by resolution of the board of directors and specified in the notice of the meeting for the purpose of electing directors, passing upon reports covering the previous fiscal year, and transacting such other business as may come before the meeting. It shall be the responsibility of the board of directors to make adequate plans and preparations for the annual meeting. If the election of directors shall not be held on the day designated for any annual meeting or at any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the members as soon thereafter as conveniently may be. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

Section 4. Quorum. At least one hundred fifty (150) of the 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 at a meeting of either husband or wife, or both, shall be regarded as the presence of one member. If less than a quorum is present at any meeting, a majority of those present 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 by the determination of 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 members of the Cooperative currently receiving electrical energy services shall be entitled to a vote at any meeting of the members, and such member shall be entitled to one (1) vote upon each matter submitted to a vote at a meeting of the members. At all meetings of the members at which a quorum 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 a husband and wife 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. For the purpose of election of directors at a meeting of members, 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 the committee on nominations or by petition in accordance with these bylaws prior to the meeting of the members, and said ballot may be cast by the member on the date of the meeting of members prior to or during the meeting of members until the voting is closed.

ARTICLE III
Directors

Section 1. General Powers. The board of directors shall consist of seven (7) members. The Cooperative board of directors may, at its discretion, expand the number of Cooperative directors by up to two (2) additional directors to represent Class B members. Except as otherwise provided bylaw, the certificate of incorporation of the Cooperative or by these bylaws, the board of directors shall manage the business, affairs
and property of the Cooperative, authorize contracts, fix charges for its services for furnishing electric energy to its members, and for other services rendered for and to its members, and shall otherwise manage the affairs of the Cooperative in such manner as may be necessary, convenient or proper in order to carry out its objects and purposes; provided, however, that the Cooperative shall not be operated for pecuniary profit either to itself or to its members.

Section 3. Qualifications and Tenure. At each annual meeting of the members, directors shall be elected as hereinafter provided, by ballot, by and from the members, 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 I, 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. 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, or (b) who is in any way employed by or financially interested in (i) a competing enterprise, (ii) a business selling electric energy or supplies to the Cooperative, or (iii) a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative, and no person shall take any 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. 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. When a membership is held jointly by a husband and wife, 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. 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. It shall be the duty of the board of directors to appoint, not less than thirty (30) days nor more than sixty (60) days before the date of a meeting of the members at which directors are to be elected, a committee on nominations consisting of not less than five (5) nor more than eleven (11) members who shall be selected so as to give equitable representation on the committee to the geographical areas served or to be served by the Cooperative. No officer or member of the board of directors shall be appointed a member of such committee. The committee shall prepare and post at the principal office of the Cooperative at least twenty (20) days before the meeting a list of nominations for directors, but any fifteen (15) or more members may make other nominations in writing by petition over their signatures not less than fifteen (15) days prior to the meeting and deliver such signed nominating petition to the Secretary, and the Secretary shall post the same at the same place where the list of nominations made by the committee is posted. The Secretary shall mail with the notice of the meeting a statement of the number of directors to be elected and showing separately the nominations made by the committee on nominations and the nominations made by petition, if any. Nothing contained herein shall, however, prevent additional nominations to be made from the floor at the meeting of the members. The members may, at any special meeting, called as hereinafter 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 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 whatever 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.

Section 6. Compensation. Directors as such shall not receive any salary for their services, but by resolution of the board of directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each meeting of the board of directors, or for each day that a director is absent from his home for the transaction of business of the Cooperative. Except in emergencies, no director shall receive compensation for serving the Cooperative in any other capacity, nor shall any close relative of a director receive compensation for serving the Cooperative, unless such compensation shall be specifically authorized by a vote of the members. A "close relative" shall mean spouse, child, grandchild, parent, brother or sister, or child of a brother or sister, whether by blood or marriage, including "step" and "half" relationships.

Section 8. Accounting System and Reports. The board of directors shall cause to be established and maintained a complete accounting system, which among other things, subject to applicable laws and rules and regulations of any regulatory body, shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. All accounts of the Cooperative shall be examined by the board of directors at regular meetings of the board of directors. The board of directors shall also within thirty (30) days after the close of each fiscal year cause to be made a full and complete audit of the accounts, books and financial condition of the Cooperative as of the end of such fiscal year. Such audit reports shall be available to the members at the following annual meeting.

ARTICLE IV
Meetings of Directors

Section 6. Participation in Board of Directors Meetings. Directors may participate in and act at any meeting of the Board of Directors through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other, provided however, that directors that miss attending in person three regular Board of Directors meetings in succession shall not be eligible to serve as a director and shall be deemed to be removed from office as a director of the Cooperative.

ARTICLE VIII
Waiver of Notice

Any member or director may waive, in writing, any notice of meetings required to be given by these bylaws. In case of a joint membership, a waiver of notice of such meeting may be executed by either of the joint members.
ARTICLE IX
Disposition of Property

The Cooperative may not sell, lease, exchange, transfer or otherwise dispose of all, or substantially all, of the Cooperative's property in other than the ordinary course of business unless such sale, lease exchange, transfer or other disposal is authorized at an annual or special meeting of the members by a two-thirds (2/3rds) vote of the members of the Cooperative present and voting and the notice of such proposed sale, lease, exchange, transfer or other disposition shall have been contained in the notice of the meeting given to all members entitled to vote not less than twenty (20) nor more than sixty (60) days before the date of the meeting.

Nothing contained herein shall limit the authority of the Board of Directors to borrow money to be used for Cooperative purposes and to secure the Cooperative's indebtedness by mortgage, pledge, deed of trust or other security instrument using all, or substantially all of the Cooperative's property as security for the Cooperative's indebtedness.

ARTICLE XI
Membership in Other Organizations

The Cooperative may, upon authorization of the Board of Directors, become a member of, or purchase stock in, any other organization, when in the judgment of the Board of Directors, such membership or purchase of stock will foster and further the aims and objectives of the Cooperative in furnishing low cost electric energy to its members.

ARTICLE XIII
Amendments

Section 1. Amendment of Articles. The articles of incorporation of the Cooperative may be amended from time to time in the following manner:

(a) The board of directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members, which may be either a regular annual meeting or a special meeting.

(b) Written or printed notice setting forth the proposed amendment shall be given to each member within the time and in the manner provided in those bylaws for the giving of notice of meetings of members. If such meeting be a regular annual meeting, the proposed amendment shall be included in the notice of such regular annual meeting.

(c) At such meeting a vote of the members shall be taken on the proposed amendment and the proposed amendment shall be adopted upon receiving the affirmative vote of at least two-thirds (2/3rds) of those members present in person or represented by proxy at such meeting. Any number of amendments may be submitted to the members, and voted upon by them, at one meeting.

After the adoption of the amendment or amendments, the board of directors shall authorize the proper officers to take such further steps as may be required by law to effectuate the amendment or amendments to the certificate of incorporation.

ARTICLE XIV
Indemnification of Officers, Directors, Employees and Agents.

The Cooperative shall indemnify the officers, directors, employees and agents of the Cooperative as provided in the Illinois Not-for-Profit Corporation Act or its successors, as such statute may, from time to time, be amended, and may purchase and maintain insurance for such indemnification.

The Cooperative Attorney, Forrest G. Keaton, then took charge of the meeting for the election of new directors. Robert Primmer, a member of the Nominating Committee, read to the members the report of the Nominating Committee of the Cooperative, which had met on the 26th day of April, A. D. 2006, in Pana, Illinois, said Report of the Nominating Committee being as follows:

REPORT OF NOMINATING COMMITTEE
SHELBY ELECTRIC COOPERATIVE

We, the undersigned, being the duly appointed members of the Committee on Nominations for the Annual Meeting of the members of the Shelby Electric Cooperative to be held on the 16th day of June, A. D. 2006, do hereby certify that we have met as provided by the By-Laws of said Cooperative and have made the following nominations for Directors, viz:

(One to be elected from each designated district for a term of three (3) years)

DISTRICT 1:
James McCoy 1728 E. 2400 N Road
Blue Mound

DISTRICT 2:
Richard Boggs 11044 Corinthwaite Road
Macon

DISTRICT 7:
Lawrence O. Otter 1324 E. 1000 N Road
Taylorsville

Dated this 26th day of April, A. D. 2006.

ROBERT PRIMMER DWAIN McAFEE
DEAN McDARD JEFF PEABODY
EUGENE BOLDT JOHN A. CARR JR.
ROY CHILDRESS

Members of Nominating Committee
of Shelby Electric Cooperative

After receiving the Report of the Nominating Committee, the Attorney then called for any additional nominations for the office of Director from the floor of the meeting. There being no additional nominations made, on motion of member Loren Simmons, seconded by member Ross Thompson, and carried, the nominations were closed by vote of the membership. The members were then requested to mark their ballots, which were then collected by the Inspectors of Election with the help of the Cooperative employees.

President and CEO James Coleman presented the members with his Annual Report on the condition of the Cooperative.

Chairman of the Board Shumard called on Chairman Kathy A. Lantz of the Inspectors of Election to read the Certificate of Inspectors of Election, which was as follows:

CERTIFICATE OF INSPECTORS OF ELECTION

We, the undersigned, the duly appointed Inspectors of Election of Directors, at the Annual Meeting of the members of Shelby Electric Cooperative held this 16th day of June, 2006 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 1:** (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>James McCoy</td>
<td>272</td>
</tr>
<tr>
<td>William Batty</td>
<td>2</td>
</tr>
</tbody>
</table>

**DISTRICT 2:** (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>Richard Boggs</td>
<td>268</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 1:** James McCoy
- **DISTRICT 2:** Richard Boggs
- **DISTRICT 7:** Lawrence D. Oller

We hereby certify that the following persons were elected as officers of the Cooperative:

- **Kathy A. Lantz** (SEAL)
- **Gayle Barker** (SEAL)
- **Mark D. Steele** (SEAL)

In Witness Whereof, we have hereunto set our hands and seals this 16th day of June, 2006.

Chairman of the Board Shumard thanked all the members who had devoted their time and energy to the attendance of the Annual Meeting of their Cooperative.

On motion of member Marjorie Strohi, seconded by member Joyce Kasper, the Report of the Inspector of Election was unanimously approved by voice vote of the members.

On motion duly made by member Ross Thompson, seconded by member Joyce Kasper, the meeting was adjourned by voice vote at 2:05 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 $250.00 of Shelby Electric dollars.

When the power goes out...

Shelby Energy Company

217-774-2311  Located on N. Route 128  across from Shelbyville High School.

Shelby Energy is a subsidiary of Shelby Electric Cooperative

...Life can go on.
WildBlue Coming to Shelby Electric Cooperative

The wait for affordable high-speed Internet is over. Shelby DirecTV is offering broadband quality Internet via WildBlue. Leave the frustration of dial-up behind and begin enjoying the Internet the way it was meant to be, fast. WildBlue gives you instant, always on, access to the Internet and lightning fast web surfing. Now you can download music and video, send and receive pictures from friends and family and much more. WildBlue reaches virtually everyone, everywhere and Shelby DirecTV has packages available starting at $49.95 per month. You'll get speeds up to 30 times faster than dial-up, five email addresses, 10 megabytes of web space and spam and virus filtering. As always, you can expect professional certified installation and friendly customer care. Sign up today, there's a great big WildBlue world out there. Call Shelby DirecTV today, 1-877-994-2323 or visit them at the Shelby Electric Cooperative office on East Route 16 next to Risinger Bros Transfer.
# Members' Financial Report

*As of December 31, 2006*

## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost of electric plant system including work in progress</td>
<td>$45,120,207</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(17,305,989)</td>
</tr>
<tr>
<td>Net electric plant system</td>
<td>$27,814,218</td>
</tr>
<tr>
<td>Cash on hand and in the bank was</td>
<td>398,765</td>
</tr>
<tr>
<td>Investments in associated organizations</td>
<td>1,607,981</td>
</tr>
<tr>
<td>Investments in non-utility property</td>
<td>687,830</td>
</tr>
<tr>
<td>Other investments and subordinated certificates</td>
<td>8,878,293</td>
</tr>
<tr>
<td>Receivable for electricity sales, material sold and other services</td>
<td>3,405,435</td>
</tr>
<tr>
<td>Current portion of note receivable</td>
<td>1,117,724</td>
</tr>
<tr>
<td>Stock materials and supplies</td>
<td>673,334</td>
</tr>
<tr>
<td>Prepaid expenses, deferred charges and miscellaneous assets</td>
<td>253,708</td>
</tr>
<tr>
<td><strong>Total Owned</strong></td>
<td><strong>$44,837,288</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES AND MEMBERS' EQUITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowed from and owed to CFC</td>
<td>$20,501,020</td>
</tr>
<tr>
<td>Other Long Term Liabilities</td>
<td>2,528,656</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td><strong>23,029,676</strong></td>
</tr>
<tr>
<td>Owed for materials, credit balances on consumers accounts, advanced</td>
<td></td>
</tr>
<tr>
<td>consumer underground deposits, taxes, &amp; etc.</td>
<td>2,650,239</td>
</tr>
<tr>
<td>Consumer deposits paid</td>
<td>16,762</td>
</tr>
<tr>
<td>Deferred credits and miscellaneous liabilities</td>
<td>6,305,419</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$32,002,096</strong></td>
</tr>
</tbody>
</table>

## MEMBERS' EQUITY (NET WORTH)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donated capital</td>
<td>$151,566</td>
</tr>
<tr>
<td>Patronage capital and operating margins</td>
<td>14,597,859</td>
</tr>
<tr>
<td>Other equities</td>
<td>(1,914,233)</td>
</tr>
<tr>
<td><strong>Total Members' Equity</strong></td>
<td><strong>$12,835,192</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities and Members' Equity (Net Worth)</strong></td>
<td><strong>$44,837,288</strong></td>
</tr>
</tbody>
</table>
Interesting information about your cooperative’s progress and what it means to local business

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total electric plant</td>
<td>$44,138,056</td>
<td>$42,404,438</td>
<td>$41,122,462</td>
</tr>
<tr>
<td>Total miles of line</td>
<td>2,219</td>
<td>2,214</td>
<td>2,207</td>
</tr>
<tr>
<td>Average plant investment per mile</td>
<td>19,891</td>
<td>19,153</td>
<td>18,639</td>
</tr>
<tr>
<td>Average number of customers served</td>
<td>9,679</td>
<td>9,568</td>
<td>9,449</td>
</tr>
<tr>
<td>Average number of consumers per mile of line</td>
<td>4.36</td>
<td>4.32</td>
<td>4.28</td>
</tr>
<tr>
<td>Average plant investment per consumer served</td>
<td>4,560</td>
<td>4,432</td>
<td>4,352</td>
</tr>
<tr>
<td>Total cost of purchased power</td>
<td>13,746,526</td>
<td>14,995,371</td>
<td>12,858,129</td>
</tr>
<tr>
<td>Maximum monthly kw demand</td>
<td>49,708</td>
<td>49,871</td>
<td>46,449</td>
</tr>
<tr>
<td>Total kwh purchased by cooperative</td>
<td>249,472,756</td>
<td>274,022,515</td>
<td>238,856,354</td>
</tr>
<tr>
<td>Total kwh purchased by members</td>
<td>233,609,210</td>
<td>249,731,110</td>
<td>222,887,210</td>
</tr>
<tr>
<td>Average kwh used per month per member</td>
<td>2,011</td>
<td>2,175</td>
<td>1,965</td>
</tr>
<tr>
<td>Total electric revenue</td>
<td>21,326,799</td>
<td>21,702,489</td>
<td>19,369,195</td>
</tr>
<tr>
<td>Average monthly electric bill per member</td>
<td>184</td>
<td>189</td>
<td>170</td>
</tr>
<tr>
<td>Average monthly revenue per mile of line</td>
<td>801</td>
<td>817</td>
<td>731</td>
</tr>
<tr>
<td>Average ownership equity per member</td>
<td>1,326</td>
<td>1,315</td>
<td>1,475</td>
</tr>
<tr>
<td>Total taxes paid</td>
<td>1,001,961</td>
<td>1,027,648</td>
<td>920,661</td>
</tr>
<tr>
<td># of Co-op vehicles</td>
<td>33</td>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>Miles traveled by transportation vehicles</td>
<td>363,249</td>
<td>371,916</td>
<td>363,952</td>
</tr>
<tr>
<td>Total transportation costs</td>
<td>250,226</td>
<td>199,357</td>
<td>182,546</td>
</tr>
<tr>
<td>Average costs per mile by transportation vehicles</td>
<td>0.69</td>
<td>0.54</td>
<td>0.50</td>
</tr>
<tr>
<td>Hours used on power operated vehicles</td>
<td>11,294</td>
<td>8,596</td>
<td>8,118</td>
</tr>
<tr>
<td>Total power operated costs</td>
<td>306,950</td>
<td>232,268</td>
<td>238,076</td>
</tr>
<tr>
<td>Average cost per hour by power operated vehicles</td>
<td>27.18</td>
<td>27.02</td>
<td>29.33</td>
</tr>
</tbody>
</table>

Cooperative Operating Stats

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of purchased power</td>
<td>$12,917,482</td>
<td>$12,785,698</td>
<td>$12,858,129</td>
<td>$13,831,540</td>
<td>$13,746,526</td>
</tr>
<tr>
<td>Total kwh purchased</td>
<td>236,136,528</td>
<td>237,971,469</td>
<td>238,856,359</td>
<td>252,144,972</td>
<td>249,472,756</td>
</tr>
<tr>
<td>Total kwh sold</td>
<td>224,821,523</td>
<td>220,950,748</td>
<td>222,887,210</td>
<td>249,731,110</td>
<td>233,609,210</td>
</tr>
<tr>
<td>Average number of members served (excl. comm.)</td>
<td>9,114</td>
<td>9,159</td>
<td>9,242</td>
<td>9,239</td>
<td>9,466</td>
</tr>
<tr>
<td>Average kwh use per month per member (excl. comm.)</td>
<td>1,042</td>
<td>1,005</td>
<td>988</td>
<td>1,159</td>
<td>1,030</td>
</tr>
<tr>
<td>Average cost per kwh to member (excl. comm.)</td>
<td>11.22¢</td>
<td>11.28¢</td>
<td>11.33¢</td>
<td>11.19</td>
<td>11.68</td>
</tr>
</tbody>
</table>
Cooperative Statement for Receipts and Expenses
for the year ended December 31, 2006

<table>
<thead>
<tr>
<th>Our Receipts:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of electric service</td>
<td>$21,183,857</td>
</tr>
<tr>
<td>Propane revenue</td>
<td>1,785,576</td>
</tr>
<tr>
<td>Alarm and security revenue</td>
<td>30,161</td>
</tr>
<tr>
<td>Other receipts</td>
<td>142,942</td>
</tr>
<tr>
<td><strong>Total Receipts for 2006</strong></td>
<td><strong>$23,142,536</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Our Expenses:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased electric power cost</td>
<td>$13,746,526</td>
</tr>
<tr>
<td>Purchased propane cost</td>
<td>1,372,041</td>
</tr>
<tr>
<td>Alarm and security revenue</td>
<td>97,413</td>
</tr>
<tr>
<td>Operations and maintenance expense</td>
<td>2,883,028</td>
</tr>
<tr>
<td>Consumer accounting and collecting expenses</td>
<td>749,707</td>
</tr>
<tr>
<td>Customer assistance expense</td>
<td>716,681</td>
</tr>
<tr>
<td>General office salaries and expenses</td>
<td>1,182,076</td>
</tr>
<tr>
<td>Outside services</td>
<td>165,064</td>
</tr>
<tr>
<td>Insurance expense</td>
<td>39,789</td>
</tr>
<tr>
<td>Post retirement benefits, excluding pensions</td>
<td>109,680</td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>1,620,200</td>
</tr>
<tr>
<td>Taxes</td>
<td>1,001,961</td>
</tr>
<tr>
<td>Interest expense to CFC</td>
<td>1,199,884</td>
</tr>
<tr>
<td>Other interest expense</td>
<td>94,516</td>
</tr>
<tr>
<td><strong>Total cost of providing electric service for 2006</strong></td>
<td><strong>$24,978,566</strong></td>
</tr>
<tr>
<td><strong>Operating deficit</strong></td>
<td>(1,836,030)</td>
</tr>
<tr>
<td><strong>Interest income, capital credits and other non-operating revenues</strong></td>
<td>2,470,941</td>
</tr>
<tr>
<td><strong>Total Margin</strong></td>
<td><strong>$634,911</strong></td>
</tr>
</tbody>
</table>

Long-Term Obligation to CFC

| Total loans funds approved     | $54,200 |
| Total funds borrowed           | 20,501,020 |
| Payments made on principal during year | 729,134 |
| **Total Interest Paid During Year** | **$1,199,884** |
"Safety City" Demonstration

In keeping with Shelby Electric's safety and education policies, your cooperative has a portable safety demonstration kit.

As we provide power to your homes and farms, we want to demonstrate some of the many dangers involved with using electricity -- and help teach how to avoid electric accidents. Our program is realistic and uses real electricity and neon people to help both students and adults become more aware of the importance of electrical safety. A trained lineman always accompanies the kit and puts on the demonstration. We can conduct our program in classrooms, at your meeting place, or here at cooperative headquarters. If you are interested in a safety program for your club, 4-H club, classroom, or organization, please call the office at 1-800-677-2612 and we will schedule an appointment for you.

Levelized Billing

You may qualify for this program, which spreads out the ups and downs of electric use over the entire year. You can be billed a fixed amount each month. If it sounds like this program may help your household budget, contact Shelby Electric Cooperative and find out if you qualify.

Come see the Gene Trimble Clown Band at this year's Annual Meeting!
Free blood pressure checks

Area health care providers will be available to check your blood pressure free of charge.

Children's ID program

The Shelby County Sheriff's Department will be here to take finger prints and photos of your children and set up their ID records. Bring your children to the meeting and take advantage of this program.

Our lineman will have a bucket truck available for the kids to ride in.
Come and eat barbecue pork chops with your friends, prepared by pork producers of Shelby County

- Registration begins at 10:30 a.m.
- A Barbecue Pork Chop Dinner will be served between 11:00 a.m. and 12:45 p.m.
- There will be a Free Health Fair with testing for blood pressure.
- Entertainment preceding the meeting by Gene Trimble Clown Band.
- Please mark your calendar and plan to attend.
- 8 — $50 “Shelby Electric Dollars” plus other attendance prizes
- Must be present to receive attendance gift

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 p.m. to be eligible for all prize drawings and you must be present to win.

Grand Prize!!!
$250 “Shelby Electric $$$$$ Dollars” $$$$$
Can be used for any Shelby Electric provided service.

Annual Meeting of Members
Shelby Electric Cooperative

PROXY

KNOW ALL MEN BY THESE PRESENT, that I, the undersigned, do hereby constitute and appoint

______________________________

my true and lawful attorney in my name, place and stead to vote as my proxy at the annual meeting of members of the Shelby Electric Cooperative to be held on the 15th day of June, 2007 A.D., or on such other day as the meeting may be hereafter held by an adjournment hereby granting said attorney full power and authority to act for me in my name at said meeting in voting for Directors of the said Cooperative and in the transaction of such other business as may properly come before the meeting of said members, as fully as I could do if personally present, with full power of substitution and revocation hereby ratifying and confirming all that my attorney or substitute may do in my place, name and stead.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this _____ day of _________________, 2007.

WITNESS ________________________________ (SEAL)

(NOTE: Bylaws of Cooperative provide that a member can only cast one proxy vote in addition to his own; also that proxies expire 60 days after date.)
While some people may view Shelby Electric Cooperative as a small utility that couldn’t possibly compete with the “big boy” investor-owned utilities, they’re wrong. As a member of Touchstone Energy®, an alliance of more than 640 cooperatives in 46 states, providing service to more than 22 million consumer-members nationwide, Shelby Electric Cooperative is an integral part of the largest utility organization in the United States.

The Touchstone Energy connection allows local electric co-ops like Shelby Electric to share ideas, new services and new technologies. Combining resources nationwide co-ops have developed programs for residential, commercial and industrial members.

One example is the Co-op Connections Card Program. Each Shelby Electric Cooperative member has a Co-op Connections Card, which they can use to take advantage of deals offered by local merchants and some popular national merchants. Commercial and industrial members can provide discounts on their products and services, receive free national wide advertising, build their businesses, and help the community through economic development. As a member of Shelby Electric Cooperative, you can use your Co-op Connections Card anywhere in the country where the Co-op Connections Card window sticker is displayed. To date cooperative commercial/industrial members across the country are offering nearly 7,700 deals, and 37 national businesses are offering discounts as well. A nationwide Web site at www.coopconnections lists the locations and the offers. If you’re traveling you can take advantage of Co-op Connections discounts.

Touchstone Energy's “Light Bulb Saver” program computes the money you could save by replacing incandescent (regular) light bulbs in your home or business with compact fluorescent lamps (CFLs). To save even more energy and money, the Touchstone Energy Home Energy Saver online audit will walk you through an easy, online energy audit. By entering some basic information you see how you can reduce your energy bills. You can access both programs at www.shelbyelectric.coop.

Schools in cooperative areas are feeling the budgetary pinch even more painfully than usual. To offset this issue, the Illinois Touchstone Energy cooperatives banded together to offer the Touchstone Energy Classroom Empowerment Grant program. Through the program schools can apply in the fall for up to $1,000 per project. The grants will be distributed in December or January.

In the first round of grants earlier this year, Shelbyville band teacher Nathan Jesse applied for and received $985 for electronic equipment that will be used in his classroom. With the grant money two new hands-on electric courses will now be offered at one school, a robotics program will be offered at another school, and yet another school will replace an outdated electric panel in its school.

Shelby Electric Cooperative is proud to find solutions to today’s problems with Touchstone Energy as its partner. For more information about Touchstone Energy’s energy efficiency programs, contact Kevin Bernson at the co-op office, or log on at www.shelbyelectric.coop.

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**Bring this card with you**

Present this card at the registration table. It will save you time and possibly eliminate standing in line to register.

---

Your Touchstone Energy® Partner