

2016

ANNUAL REPORT



MINUTES

of Annual Meeting of Members » MAY 31, 2016

The **83rd Annual Meeting of Members** of the Cherokee Strip Credit Union was held in the Seminar Center of Pioneer Technology Center in Ponca City, Oklahoma, on Tuesday, May 31, 2016. Board Directors Howard, Trewitt, Golliver, Happ, LaBossiere, Macy, Phansalkar, Gibson and Geubelle were all present. Supervisory Committee Chairman Lockwood was also present. Dr. Robert Howard, Chairman of the Board, presided. Staff Member and Executive Assistant Newport recorded the proceedings of the Meeting.

Chairman Howard called the Meeting to order at 6:00 p.m. Board Secretary Gibson held roll call for the Board and reported a quorum present, with 70 Credit Union Members in attendance. Secretary Gibson presented a copy of the notice of the Meeting with a certificate attached thereto stating that notice had been mailed, which was more than seven days prior to this Meeting. The proof of notice was ordered received and filed.

Director Geubelle, appointed Nominating Committee Chairman, read the list of nominees to serve as Board Directors. There were three Director positions available. Incumbent nominees for re-election were Directors Gibson and Golliver. New nominee was Member Brad Beaty. Chairman Howard asked for nominations from the floor three times, with none noted. The nominations were then proclaimed closed by Chairman Howard, who subsequently asked for a motion to approve the three nominees as Board Directors. Member Wanda Roland made a motion that nominees Gibson, Golliver and Beaty be elected to the Board to serve three-year terms. Motion was seconded by Member Van Peck and, upon vote, passed with none opposed.

Chairman Howard read the minutes from the 2015 Annual Meeting. Chairman Howard asked for any corrections or additions, and none were noted. Member Eddie Randal made a motion, seconded by Member Fran Clark, to approve the 2015 Annual Meeting minutes as presented. Upon vote, the motion passed with none opposed.

Chairman Howard presented his Annual Report to the Membership. He then introduced the Board of Directors and thanked them and the Supervisory Committee for their service to the Membership.

President O'Hare briefed the Membership on current activities and forward strategy and thanked the Directors, volunteers and Associates for their partnership on behalf of our Members.

Treasurer Golliver presented a summary of the financial status of the Credit Union, with subsequent discussion and clarification of prior-year results and loan losses. Chairman Howard asked for any further discussion or motion to approve the Treasurer's Report. Member Larry Harper made a motion, seconded by Lyn Boyer, to approve the Treasurer's Report. Upon vote, the motion passed with none opposed.

Chairman Howard asked if there were any questions regarding the printed Supervisory Committee Report, and there were none. Member Carl Johnson made a motion to accept the Supervisory Committee Report, as seconded by Member Tom Courtney. Upon vote, the motion passed with none opposed.

Board Secretary Gibson presented the following Resolution: "Resolved, that all acts and other proceedings heretofore passed by the Directors and the Supervisory Committee since the last Annual Meeting of the Members are hereby approved, ratified and confirmed in each and every aspect." Board Director Happ made motion, seconded by Member Jerry Marlar, to approve the Resolution as presented. Upon vote, the motion passed with none opposed.

Drawings were then held for six \$25, three \$50 and two \$100 cash prizes, along with a gift certificate for Photo Monkey Photography. The drawings were conducted by Staff Members Newport, Love, Calderon and Dutton. Board Director Geubelle made a motion, seconded by Board Director Happ, to adjourn the Meeting. Upon vote, the motion passed with none opposed. Chairman Howard adjourned the Meeting at 6:55 p.m.

AGENDA

84th Annual Meeting of the Members – March 28, 2017

1. **Call to Order**
Dr. Robert Howard, Chairman of the Board
2. **Roll Call and Quorum**
Toni Gibson, Board Secretary
3. **Minutes of the 83rd Annual Meeting**
Dr. Robert Howard
4. **Report of the Board of Directors**
Dr. Robert Howard
5. **Report of the Treasurer**
John Happ, Board Treasurer
6. **Report of the Supervisory Committee**
Don Lockwood, Chairman
7. **Report of the President**
Johnny O'Hare
8. **Unfinished Business**
9. **New Business**
Proposed Bylaws Change
10. **Board Nominations**
Brad Beaty, Board Director and Nominating Committee
11. **Board Elections**
Mike Trewitt, Board Vice Chairman
12. **Door Prizes**
13. **Adjournment**

CHAIRMAN REPORT

Dr. Robert Howard, *Chairman of the Board*



I would like to welcome you to the Annual Meeting of Cherokee Strip Credit Union. I am happy to report that your Credit Union continues to operate in a safe and efficient manner for our Membership. During this Annual Meeting, we will transact the business required, have fun with our door prizes and talk about the importance of doing your business with us.

This Credit Union has been operating in our community for 84 years – a great achievement. We started out as “Conoco Employees (PC) Credit Union” in 1933, at that time only the second credit union to be established in Oklahoma. In July 1994, the name was changed to Cherokee Strip Credit Union (CSCU), and over time we have grown to more than 9,500 Members with over \$73 million in total assets.

Many changes have occurred over the years, but Cherokee Strip Credit Union never lost focus of the service and dedication to its Membership. This Credit Union remains strong and as dedicated as ever to your needs. As fellow Members, each of us must do our part by bringing in new Members among our family and friends. Together, we can bring our Credit Union to an all-time high.

Part of the credit union philosophy is “People Helping People.” Therefore, many credit unions continually provide their members with valuable financial education, and your Credit Union is no exception. This past year we installed a new, free Member Education Center on our website, and we will continue to look for ways to reach out to

and educate our community. Credit unions are your financial partner for life and can help you sort through all of your financial options.

WHO CAN BE A MEMBER?

By law, membership in a credit union is limited to those people who share a common bond of occupation, association or residence, and individuals meeting any of the following criteria are eligible to become a Member of Cherokee Strip Credit Union:

- » Individuals, who reside, work, worship or attend school in Kay County.
- » Active and retired employees of Conoco/Phillips and its affiliated companies and their families.
- » Employees of other associations or businesses that have been approved as a Select Employee Group (SEG) in accordance with the laws of the state of Oklahoma and approved for membership by the State Credit Union Board.
- » Active and retired employees of the Credit Union and their family members.
- » Nonprofit organizations or associations located in Kay County.

I want to ask each of you to continue doing business with us, as well as encourage others to do business with our great, historical Cherokee Strip Credit Union.

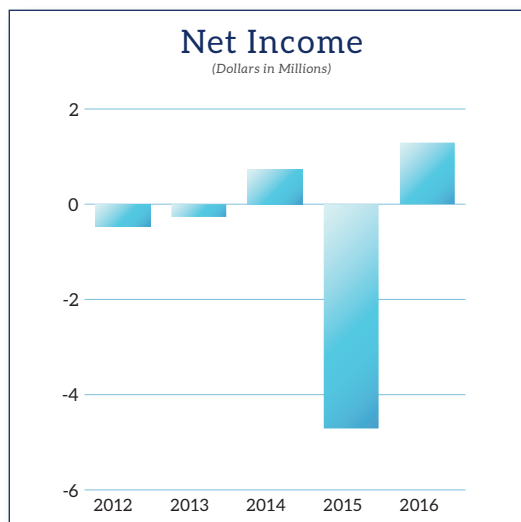
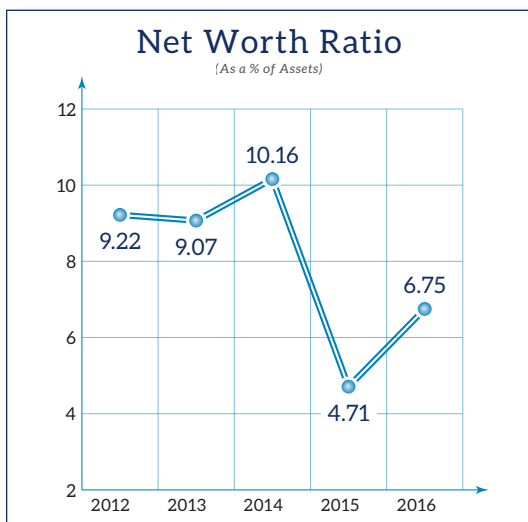
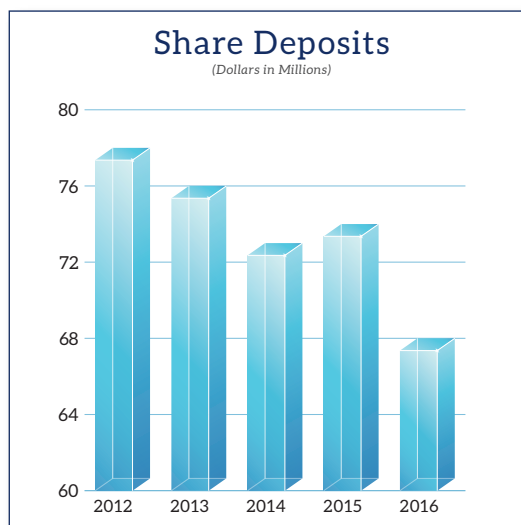
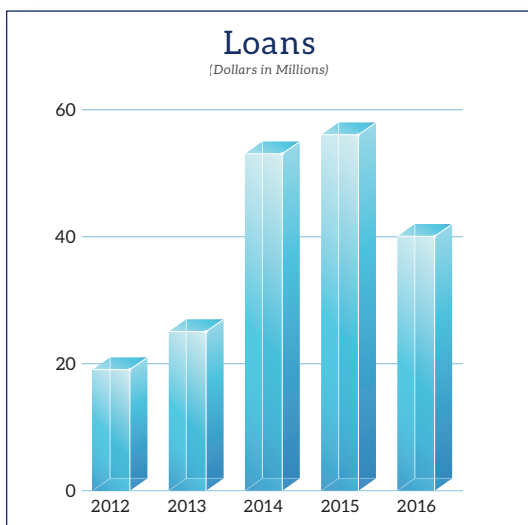
TREASURER REPORT

John Happ, Board Treasurer



After a challenging 2015, I'm pleased to report that your Credit Union returned to profitability in 2016. Net Income for the year was \$1,294,320, which included a special \$1,200,000 insurance recovery to help offset prior loan losses. Even without this recovery, we still made a profit of nearly \$100,000 after operating expenses and Member dividends.

Honoring prior agreements with our regulators, the rebuilding of our Net Worth Ratio (or reserves as a percentage of assets) was priority one in 2016. You'll see below that this mission was accomplished – by both shrinking our size, and adding earnings to reserves. On our current path, we anticipate your Credit Union will again be classified as a well-capitalized financial institution in 2017.



Statement of Earnings

(Dollars in Thousands)

	2015	2016
Interest on Loans	\$ 3,934	\$ 2,877
Interest on Investments	\$ 139	\$ 132
Non-Interest Income	\$ 1,227	\$ 2,011
Total Income	\$ 5,300	\$ 5,020
Compensation & Benefits	\$ (1,221)	\$ (1,165)
Technology & Operations	\$ (671)	\$ (792)
Legal & Professional Services	\$ (509)	\$ (397)
Loan Servicing	\$ (292)	\$ (127)
Rent & Occupancy	\$ (162)	\$ (160)
Education, Marketing & Other	\$ (176)	\$ (98)
Dividends	\$ (136)	\$ (106)
Total Expenses	\$ 3,167	\$ 2,845
Net Income before Provision	\$ 2,133	\$ 2,175
Provision for Potential Loan Loss	\$ (6,843)	\$ (881)
Net Income after Provision	\$ (4,710)	\$ 1,294

Statement of Financial Condition

(Dollars in Thousands)

	2015	2016
Cash	\$ 13,059	\$ 12,561
Investments	\$ 7,100	\$ 16,623
Loans (Net of Allowance)	\$ 54,271	\$ 40,258
Land & Building	\$ 1,637	\$ 1,592
Other Assets	\$ 1,353	\$ 2,174
Assets	\$ 77,420	\$ 73,208
Share Savings	\$ 48,562	\$ 46,138
Draft Checking	\$ 9,707	\$ 9,616
Share CDs & IRAs	\$ 15,507	\$ 12,621
Accounts Payable	\$ 451	\$ 324
Members' Equity	\$ 3,193	\$ 4,509
Liabilities & Reserves	\$ 77,420	\$ 73,208

SUPERVISORY COMMITTEE REPORT

Don Lockwood, Supervisory Committee Chairman



and deploy appropriate external resources as necessary and report any concerns directly back to the Board as elected representatives of the Membership.

Your Supervisory Committee is an independent authority, created and empowered by your Board of Directors to oversee Credit Union activities. Our Mission is simple but important – to ensure that Management has installed the appropriate controls, processes, policies, and procedures to protect the Cooperative. To help us complete that Mission, we engage

Reflective of past lending challenges, we reviewed three audit firms in 2016 and decided to make a change, engaging Clifton, Larson, Allen, LLP (CLA) as our new external auditors. CLA has been a leading auditor of credit unions nationwide for more than 60 years, currently serving over 600 federally and state-chartered credit unions, credit union service organizations, industry leagues and associations from coast to coast. We're confident that their expertise, along with our newly agreed to and enhanced audit schedule, will bring a new level of oversight to Cherokee Strip Credit Union.

The tests performed by our external auditors in 2016 disclosed minor issues that are being effectively addressed in our opinion, and we're pleased to report that the government agencies that regulate us have recently raised their internal ratings for Cherokee Strip Credit Union. Overall, we believe that Management's controls, processes, policies and procedures are appropriate and sufficient.

I'd like to thank my fellow Committee Members Mike Connelly and Jamie Ford for their volunteer service this past year, and I commit to you, our Member/Owners, that we will continue to watch over your valued investment in Cherokee Strip Credit Union.

PRESIDENT REPORT

Johnny O'Hare, President & CEO



If 2016 can be remembered as a year of rebuilding, then I believe 2017 will be known as a year of our rebirth and renewal, as we begin to set the stage for a new and improved Cherokee Strip Credit Union.

Your Management and Board made great progress this past year, with the addition of brand new policies, procedures, risk

management tools, balance sheet modeling capabilities, audit partners, and key personnel. As a result, we're again able to offer you vehicle financing directly at select local dealerships and will begin offering home mortgage loans by this summer. By 2018, we'll likely complete our lending capabilities with a new menu of small business loans for those who live, work, worship or attend school here in Kay County.

Continuing this momentum, I'm pleased to say that your Board of Directors has approved a new three-year Strategic Plan. This Plan sets a measured, prudent, and positive course for enhancements to our current products, technology, branding and facilities, and even considers the possibility of charter expansion into surrounding Oklahoma counties. Collectively, this Plan is designed to diversify and reduce our risk profile, improve your Member Experience, and give you compelling reasons to make Cherokee Strip Credit Union your primary financial institution.

Our core Mission remains the same: Protect the Cooperative, Serve our Members and Take Care of Each Other. That care extends to our Membership, our Associates and our neighbors – as we not only want to be a great financial institution, but also a great employer of choice, and a great corporate citizen.

Our forward Vision, however, is newly defined: We will serve, educate and delight our Members, and make their financial products easy to understand and easy to use. Simply put, our products must first be easy to understand – including providing

you with relevant education on all the ways we can improve your financial life. Once you understand, we have to be easy to engage – so that as you decide which CSCU products are right for you, you can easily take action and purchase them. And finally, post-engagement, we must be easy to use – so that continuing contact, service, and use of our products are simple and reliable. This long-range Vision is no small task, and I and my team have work to do. But this is your cooperative, and as an Owner you have work to do too – by actively using your CSCU draft checking account, direct deposit, debit card, credit card, online banking, and mobile banking, and by considering and sharing our product promotions throughout the year. Together and united, we will achieve this Vision.

Still, no matter how many improvements we make, I realize that this is a business about people. The dedicated people serving you every day, whom I am proud to call my teammates. The seasoned volunteers on your Board and Committees, who selflessly share their expertise, focus, and energy in order to watch over your investment and guide us forward. And finally, this is really all about you, our Members. We're not in the transaction business, we're in the relationship business – and our ultimate goal is to build a financial relationship with you and your family that will last a lifetime.

It remains my honor and privilege to serve you.

CULTURE AND COMMUNITY

Part of our Mission is “Taking Care of Each Other,” which extends to our own Associates and neighbors. One of the ways we take care of our teammates is through an internal Culture Committee, owned and staffed by our Associates and supported by Management. The Culture Committee accepts ideas and feedback from fellow Associates and finds small, memorable, and fun ways to improve the Associate Experience, engage our Members in the process, and collectively take care of our community.

In addition to the great efforts of Culture Committee, Management supports local civic and charitable organizations with modest donations on behalf of our Members. In 2016, some of these included the American Cancer Society, Marland Children's Home, Ponca City Main Street, Northern Oklahoma College Foundation, Young Artists Scholarship Fund, Dearing House, 4H/Future Farmers of America Booster Club, Children's Miracle Network, and Salvation Army Angel Trees.



Culture Committee Presentation of \$600 for Partner in Education Liberty Elementary and Principal Jennifer Marti. Funds were raised by our Associates and Members through our Friday Jeans program and branch bake sales.

Prize donation of “his and her” bicycles for a Bingo fundraiser at PIE Partner Liberty Elementary. Associates delivered the bikes and helped work the event.





Our Culture Committee and teammates rallied together for Pink Day to raise awareness on the importance of taking positive action in the fight against breast cancer. Educational literature was distributed, along with awareness ribbons, and very special pink popcorn for our Members.

The Culture Committee's presentation of \$500 to New E.R.A. food bank Director Tom Short, again raised by donations from our Associates and Members.



In addition to the cash donation, our Culture Committee delivered over 600 pounds of non-perishable food to New E.R.A., collected in our branches and donated by our Associates and Members.

Several departments dressed up to compete in our Halloween contest, which included themes such as the Three Little Pigs, Across the Decades, and this winning team as chosen by our Members – the Wizard of Oz.



2017 NOMINEES FOR YOUR BOARD OF DIRECTORS



Dr. Robert Howard (incumbent)

CSCU Member for 21 years, Board Member for 17 years, and Chairman of the Board for the past year, with concurrent service on the Board's Investment and Personnel Committees. Has held every Executive Committee position on the Board. Holds a Doctorate in Occupational and Adult Education from Oklahoma State University, in addition to Master of Human Relations and Bachelor of Liberal Arts degrees from Oklahoma University. Since 2009, has been the Business Management Coordinator for Pioneer Technology Center. Served his country honorably in the Army National Guard for 13 years during the Vietnam Era. Graduate of Pioneer Technology Center – Carpentry, Electrical and Computers. Mechanical Contractor, Journeyman Electrician Unlimited. Owns and operates a local property business. Certified as an Early Settlement Dispute Resolution Mediator. Holds an Advanced Safety Certification from the

National Safety Institute. Served as Administrative Manager and Safety Director for Concarb, as well as Human Resources and Safety Director for both Tyson Foods and Mid-America Door. Elected to the Pioneer Technology Center Board, serving 10 years, as well as the Salvation Army Advisory Board, and Northern Emergency Resources Agency Board. Dr. Howard is active in various community organizations including the Ponca City Chamber, American Legion, and Veterans of Foreign Wars.



Bill Geubelle (incumbent)

CSCU Member for more than 40 years, Board Member for two years, with concurrent service on the Board's Investment Committee, and as Chairman of the Board's Nominating Committee. Earned a bachelor's degree in Chemistry from Wichita State University. Served 43 years at Conoco. Director Geubelle and his wife, Marianne, raised four successful children, are currently blessed with two grandchildren, and believe Ponca City is the best community on the planet to work and raise a family.



Phillip Johnston (incumbent)

CSCU Member, and Board Member for the past year, with concurrent service on the Board's Personnel Committee. Currently the Director of Ponca City Energy, a position he has held since 1999. Earned a Bachelor of Science degree in Agricultural Engineering from Oklahoma State University. Has served on numerous boards in the Ponca City area. Director Johnston enjoys golf, fishing, and spending time with his wife, Sharon, his three grown sons, nine grandchildren, and two great-grandchildren. He is thankful for the opportunity to serve our Members.

BYLAWS CHANGE

The following Bylaws change is hereby proposed:
Article XVII – Meeting of the Members, Section 2

Current: The Secretary shall give notice of every Meeting at least seven days before the date of the Meeting by posting a notice thereof containing the time and place of the Meeting in a conspicuous place in the office of the Credit Union and mailing or handing in person to each Member a copy of said notice.

Proposed: The Secretary shall give notice of every Meeting at least seven days before the date of the Meeting by posting a notice thereof containing the time and place of the Meeting in a conspicuous place in the office of the Credit Union, placing an advertisement in a local newspaper, and/or mailing electronically or otherwise to each Member a copy of said notice. Any or all of these methods shall be deemed acceptable notice.



BOARD AND COMMITTEES:

Dr. Robert Howard

Chairman of the Board, Investment Committee, Personnel Committee

Mike Trewitt

Board Vice Chairman, Investment Committee, Personnel Committee

Toni Gibson

Board Secretary, Personnel Committee

John Happ

Board Treasurer, Investment Committee, Personnel Committee Chairman

Calvin Golliver

Board Director, Investment Committee Chairman

Bill Geubelle

Board Director, Investment Committee, Nominating Committee Chairman

Brad Beaty

Board Director, Nominating Committee

Phillip Johnston

Board Director, Personnel Committee

Raj Phansalkar

Board Director, Investment Committee, Nominating Committee

Don Lockwood

Supervisory Committee Chairman

Jamie Ford

Supervisory Committee

Mike Connelly

Supervisory Committee

IMPORTANT INFORMATION:

ABA Routing/Transit Number:
303185703

24-Hour Automated Phone Banking:
(580) 718-4000, Option 1
(starting Fall 2017)

VIP Club:
Text MYCU2 to 21000

Website and Online Banking:
www.cherokeestrip.com

Facebook:
www.facebook.com/cherokeestripcreditunion

Opt-In to Our Electronic Newsletters at:
feedback@cherokeestrip.com





Kay County's
Credit Union!

Bank. Better.

**PROSPECT
BRANCH**
(EAST)

1508 East Prospect
Ponca City, OK 74604

**WAVERLY
BRANCH**
(WEST)

1508 West Hartford
Ponca City, OK 74601



www.cherokeestrip.com

