

2017

ANNUAL REPORT



MINUTES

of Annual Meeting of Members » March 28, 2017

The **84th Annual Meeting** of Cherokee Strip Credit Union was held at the Seminar Center of Pioneer Technology, 2101 North Ash in Ponca City, OK on Tuesday, March 28, 2017. Directors Howard, Trewitt, Golliver, Happ, Beaty, Gibson, Johnston and Geubelle were all present, with Director Phansalkar unable to attend. Supervisory Committee Chair Lockwood was present. Dr. Robert Howard, Chairman of the Board, presided. Executive Assistant Newport recorded the proceedings.

The Meeting was called to order at 6:00 p.m. Board Secretary Gibson reported a quorum present, with 60 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 more than seven days prior to this meeting. The proof of notice was ordered as received and filed.

Secretary Gibson read the minutes from the 2016 Annual Meeting. Chairman Howard asked for any corrections or additions, and none were noted. Member Wayne Mitchell made a motion, seconded by Member Lyn Boyer, to approve the 2016 minutes as presented. Upon vote, motion passed with none opposed.

Chairman Howard presented a summary of prior year credit union activity in his report. He then introduced the Board of Directors.

Treasurer Happ presented a summary of the financial status of the credit union. Member Wanda Roland made a motion to approve the Treasurer Report, seconded by Member Lyn Boyer. Upon vote, motion passed with none opposed.

Committee Chairman Don Lockwood presented the Supervisory Committee report for the prior year. Chairman Howard asked if there were any questions regarding the Supervisory Committee report, and none were noted. Member Tom Courtney made a motion to approve the Supervisory Committee report, seconded by Member Sharon Johnston. Upon vote, motion passed with none opposed.

CEO Johnny O'Hare presented an update on the credit union.

Board Secretary Gibson presented the following resolution: "Resolved, that all acts and other proceedings heretofore passed by the Directors and its Committees since the last Annual Meeting of the Members are hereby approved, ratified, and confirmed in each and every aspect." Member Steven Van Pelt made motion, seconded by Member Wayne Mitchell, to approve the resolution. Upon vote, motion passed with none opposed.

Chairman Howard proposed a Bylaws change to Article VXII – Section 2 to update the methods that may be used to post notice of Member meetings. He then read the current and proposed Bylaws section. Chairman Howard asked if there were any questions regarding the proposed Bylaws change, and there were none. Member Katherine Ewing made a motion to approve the Bylaws change, seconded by Member Donald Bayer. Upon vote, motion passed with none opposed.

Representing the Nominating Committee, Director Beaty presented the list of 2017 nominees for Director, with three positions open, each for a three-year term. Proposed were incumbents Howard, Geubelle and Johnston. Vice Chairman Trewitt presided over the election, asking for nominations from the floor three times, and none were noted. Nominations were then proclaimed closed by Vice Chairman Trewitt. Member Wayne Mitchell made a motion to elect Howard, Geubelle and Johnston, as seconded by Member Teresa Black. Upon vote, motion passed with none opposed.

A door prize drawing was held for two Keurig coffee makers, nine \$15 gift cards, two \$50 gift cards, one \$75 cash prize, five \$100 cash prizes, one electronic tablet and two Amazon Echo Dots. The drawings were conducted by Associates Newport, Love, Calderon, Krout, and Lockett from the credit union staff.

With the business of the Membership complete, Chairman Howard adjourned the meeting at 7:02 p.m.



Special thanks to Ponca City Chamber of Commerce for the opportunity to host Business After Hours.

CHAIRMAN REPORT

Dr. Robert Howard, *Chairman of the Board*



As Chairman of your Board, I would like to welcome you to the 2018 Annual Meeting of Cherokee Strip Credit Union. I am happy to report that your Credit Union continues to operate in a safe, sound, secure, and efficient manner. 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 Cherokee Strip Credit Union.

We have been operating in our community for 85 years, starting out as Conoco Employees (PC) Credit Union in 1933, only the second credit union in Oklahoma at that time. In July 1994, our name was changed to Cherokee Strip Credit Union (CSCU), and over time we have grown to nearly 9,500 members and \$70 million in total assets.

Together, we've done some good work this past year. Loans are up, and past-due loans are down. Our regulatory agencies have increased our risk ratings, and removed us from special oversight. I'm pleased to report that we are again a well-capitalized financial institution.

Also in 2017, we installed a new 24/7 automated phone banking system. New wholesale funding providers were added to our liquidity plans. Member CD dividends increased twice. New senior leaders were hired in Operations and Lending. We rebuilt indirect lending relationships with major car dealers in Ponca City. And finally, we replaced our credit cards with more secure EMV chip cards.

Many changes have occurred over the years, but we've never lost focus on our Members. The Credit Union remains strong and as dedicated as ever to your needs, but each of us must continue to do our part by bringing in new family and friends. Together, we can bring our Credit Union to an all-time high. I want to ask each of you to continue doing business with us, expand your financial relationship with us, and encourage others to do business with us. We must all be active supporters of the Credit Union if we are to remain strong and relevant to this community.

A major advantage of credit unions is that they are owned by all members who reap the rewards, not just a few stockholders. Our membership currently extends to those who live, work, worship, or attend school here in Kay County. We also continue to serve

select employee groups grandfathered in from our original charter, including our valued Conoco families and retirees. In addition, the relevance and usage of credit unions overall continues to rise. According to the Credit Union National Association (CUNA), the number of credit union members throughout the country grew to 110 million in 2017, a record high.

For more than 100 years, credit unions have provided financial services to members in the United States – as unique depository institutions created not for profit, but as affordable credit cooperatives. The earliest credit unions date back to the beginning of the 19th century in England. A few decades later, credit unions took root in Germany. These early credit unions became the model for credit unions in the United States – with democratic governance, all having a vote regardless of deposit size, and election by the members of a volunteer Board of Directors.

The U.S. credit union movement became increasingly popular in the 1920s. Families had more money to save and could afford products like automobiles and washing machines. However, they needed a source of inexpensive credit to purchase these goods. The popularity of credit unions grew because commercial banks and savings institutions generally showed little interest in offering such consumer loans.

In 1934, President Franklin Roosevelt signed the Federal Credit Union Act into law, creating a national system to charter and supervise federal credit unions. The credit union movement grew steadily in the 1940s and 1950s. By 1960, credit union membership included more than six million individuals belonging to more than 10,000 federal credit unions.

In 1970, the National Credit Union Administration (NCUA) became an independent federal regulatory agency, and the National Credit Union Share Insurance Fund (NCUSIF) began to protect deposits at all federally insured credit unions.

Today, the U.S. credit union system continues to demonstrate its resilience, as NCUA supports a credit union system that is safe, sound, secure, and serving more Americans than ever before.

TOGETHER, LET'S MAKE CHEROKEE STRIP CREDIT UNION STRONGER THAN EVER DURING 2018.

Thank you for allowing myself and others to serve our Credit Union.

TREASURER REPORT

John Happ, Board Treasurer



I'm pleased to report that your Credit Union was again profitable in 2017. After removing the effect of a special 2016 insurance recovery for fraudulent loan activity, year-over-year net income grew from about \$100,000 to \$400,000.

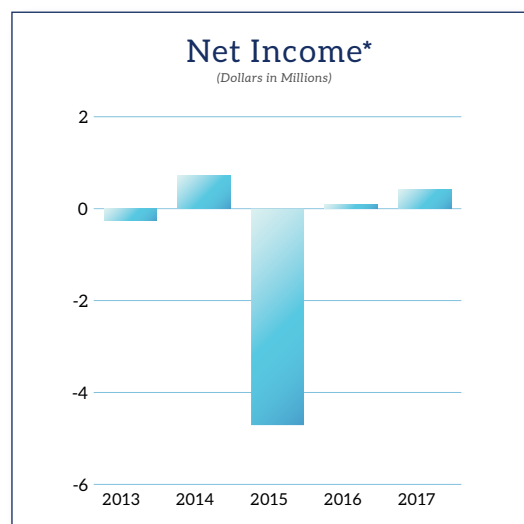
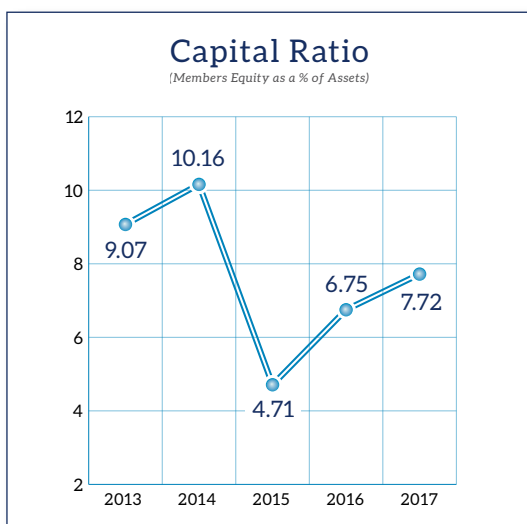
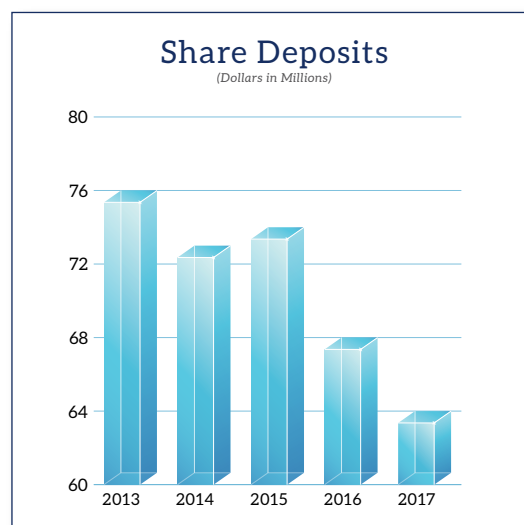
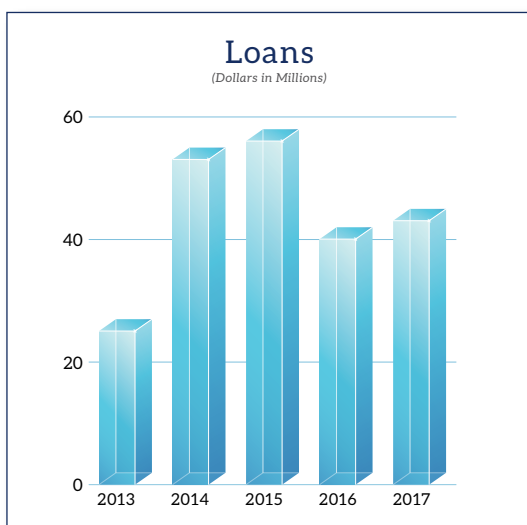
Strategically, we continued to reduce the size of the balance sheet in a controlled manner to improve our capital ratio. At

the same time, we deployed more cash into earning investments and loans to maximize returns, which allowed our Investment Committee to twice raise CD dividend levels. As a Board, our long-term priority

is to reward you for your investment in Cherokee Strip Credit Union, consistent with our Core Mission and regulatory reserve requirements.

Looking forward, it's very likely that loan charge-offs will remain high in 2018, as we wind down a portfolio of underperforming loans with a 2014 average vintage. Still, gross income is good and expenses are reasonable, which have allowed us to weather higher loan losses quite well. Also, I anticipate that we'll incur costs to invest in better technology, and restart mortgage lending.

Finally, as I committed to you last year, we're back to "all systems go" as a well-capitalized financial institution.



*without insurance recovery

Statement of Earnings

(Dollars in Thousands)

	2015	2016	2017
Interest on Loans	\$ 3,934	\$ 2,859	\$ 2,540
Interest on Investments	\$ 139	\$ 149	\$ 334
Insurance Recovery	\$ 0	\$ 1,200	\$ 0
Non-Interest Income	\$ 1,227	\$ 671	\$ 788
Total Income	\$ 5,300	\$ 4,879	\$ 3,662
Compensation & Benefits	\$ (1,221)	\$ (1,166)	\$ (1,194)
Technology & Operations	\$ (671)	\$ (801)	\$ (731)
Legal & Professional Services	\$ (509)	\$ (397)	\$ (232)
Loan Servicing	\$ (292)	\$ (125)	\$ (115)
Rent & Occupancy	\$ (162)	\$ (160)	\$ (154)
Education, Marketing & Other	\$ (176)	\$ (45)	\$ (79)
Dividends	\$ (136)	\$ (106)	\$ (99)
Total Expenses	\$ (3,167)	\$ (2,800)	\$ (2,604)
Net Income before Provision	\$ 2,133	\$ 2,079	\$ 1,058
Provision for Potential Loan Loss	\$ (6,843)	\$ (785)	\$ (644)
Total Expenses	\$ (4,710)	\$ 1,294	\$ 414

Statement of Financial Condition

(Dollars in Thousands)

	2015	2016	2017
Cash	\$ 13,059	\$ 12,561	\$ 3,422
Investments	\$ 7,100	\$ 16,623	\$ 18,434
Loans (Net of Allowance)	\$ 54,271	\$ 40,258	\$ 44,352
Land & Building	\$ 1,637	\$ 1,592	\$ 1,538
Other Assets	\$ 1,353	\$ 2,174	\$ 1,655
Assets	\$ 77,420	\$ 73,208	\$ 69,401
Share Savings	\$ 48,562	\$ 46,138	\$ 43,469
Draft Checking	\$ 9,707	\$ 9,616	\$ 9,506
Share CDs & IRAs	\$ 15,507	\$ 12,621	\$ 11,056
Accounts Payable	\$ 451	\$ 324	\$ 449
Members' Equity	\$ 3,193	\$ 4,509	\$ 4,921
Liabilities & Reserves	\$ 77,420	\$ 73,208	\$ 69,401

SUPERVISORY COMMITTEE REPORT

Don Lockwood, Supervisory Committee Chairman



Your Supervisory Committee is an independent authority, created and empowered by your Board of Directors to oversee credit union activities. Our Mission is to ensure that management has installed appropriate controls, processes, and procedures to Protect the Cooperative. To achieve this, we personally review and/or deploy external resources as may be

necessary to come to our conclusions, and report any concerns back to the Board.

In 2017, we partnered with CliftonLarsonAllen (CLA), an audit firm that specializes in credit union operations nationwide. CLA performs the following reviews for us: Automated Clearing House audit, Bank Secrecy Act audit, quarterly internal audits, and

Agreed Upon Procedures that examine year-end records, lending, operations, and controls in a more detailed manner. CLA reports are shared directly with our Committee, and we're pleased to report no material concerns of note from these reviews.

In addition, both the NCUA and State of Oklahoma perform a formal examination at least once a year. Their most recent joint visit was in November 2017. Thanks to improving loan quality, more seasoned management, better controls, and restoration of our well-capitalized status, I'm pleased to report that your Credit Union was removed from special regulatory oversight during 2017, with an upgrade to our regulatory risk rating, and no material concerns of note from these examinations.

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

The Honorable Gentleman from Oklahoma, U.S. Senator James Lankford (center), stopped by to learn more about the positive difference that credit unions are making in their communities every day.



Board Chairman Dr. Robert Howard presented an Excellence in Service Award to former Director Raj Phansalkar (left), who shared his significant energy and strategic vision with the Board and its Investment and Personnel Committees from 2003-2017.

PRESIDENT REPORT

Johnny O'Hare, President & CEO



Simple is good. Our Core Mission reflects that: Protect the Cooperative, Serve Our Members, and Take Care of Each Other. While other mission statements often try to capture every concept imaginable, I always come back to the idea that if you can't remember your Core Mission – or more importantly, easily repeat it – then it's not doing you much good.

Consistent with that, our Forward Vision is to Educate and Delight Our Members, and Make Their Financial Products Easy to Understand and Easy to Use. Again, the takeaways remain concise: educate, delight and simplify. If you don't know what we offer, or how to easily engage us when you find something you like, then you just won't use us. And we want you to use us.

Each year, we have an overriding strategic focus. As we began our journey together in 2016, we focused on stabilization, as your Board and management successfully addressed pressing regulatory concerns, improved our organizational structure, ramped up direct consumer lending, and improved our capital position.

In 2017, we focused on the team. We hired new leaders in Operations and Lending, complementing our already strong workforce. Collectively, this team achieved a release from special

regulatory oversight, restored indirect lending at flagship car dealers, and established new wholesale liquidity sources that included the Federal Reserve.

As we enter 2018, we'll focus on systems, as we migrate to new, state-of-the-art technology that allows in-branch, online and mobile transactions to be delivered within a single, holistic platform. Once fully implemented, interactions with us should become simpler, more intuitive, and generally available on your schedule rather than ours. We'll also restore mortgage lending, and further expand funding options to include the Federal Home Loan Bank of Topeka.

After some of the seismic events over the past few years, we've been moving forward in a controlled, steady, and predictable way. That pace is appropriate for us right now. Still, every day should get a little bit better, and your Board has approved a solid strategic plan focused on making that happen.

Meanwhile, I ask that you continue to engage us often, use our products and services, and tell your friends all about us. As a financial cooperative, we remain strongest when Cherokee Strip Credit Union is the primary financial institution of both you and your neighbor.

Special thanks to our volunteer Board of Directors, its Committees, the Associates that I'm proud to partner with every day, and to each of you for your loyalty as we enter our 85th consecutive year together in Kay County.

Quite simply, it remains my honor to serve you.

Former CEO Howard Sissel (left) stopped by to share his wisdom and experience with our Culture Committee and Associates, and was again recognized for his leadership that continues to provide a solid foundation for our future success.



CULTURE COMMITTEE REPORT



CULTURE COMMITTEE

(Left to right): Jackie Gordon, Estellea Kirchenbauer, Carrie Best, Brittney Krout

As a part of our Core Mission at CSCU, “Taking Care of Each Other” comes easy for the Culture Committee, which is owned by our Associates and supported by management. Our purpose is to improve the Associate Experience, while also reaching out to serve our local community. We take in suggestions, ideas, and feedback from our Associates to find fun, small, and memorable ways to improve our internal culture and to support our neighbors.

Alongside our management team, we provided local civic and charitable organizations with modest donations or volunteer time on behalf of our Members. In 2017, some of these included Liberty Elementary School, Ponca City Humane Society, United Way of Ponca City, American Cancer Society Relay For Life, Survivor Resource Network, Child Development Center, The Opportunity Center, Big Brothers/Sisters Bowl for Kids’ Sake, Juneteenth Celebration Committee, Ponca City Noon Lions Club, Tonkawa Tribal Committee Pow Wow, Camp McFadden, March of Dimes, Children’s Miracle Network, Marland Children’s Home, Newkirk 4-H Club, Po-Hi Athletics, The Mission, and World Council of Credit Unions.



The Culture Committee presented \$350 to the Ponca City Humane Society, a donation raised by our Associates and Members.

Culture Committee presentation of \$500 to Partner in Education Liberty Elementary School and Principal Jennifer Martinez. Funds were raised by our Associates and Members through our Friday Jeans program and Member bake sales.



The Culture Committee provided bicycles as prizes for Liberty Elementary's annual Bingo Night.



The Culture Committee supports an annual food drive each fall. Our Associates compete with each other in efforts to collect the most food and clothing items. Collectively, we were able to donate over 1,500 items to The Mission. The Culture Committee also donated an additional \$500, raised by our Associates through our Friday Jeans program.

The Culture Committee helped PIE partner Liberty Elementary celebrate their "Fun Day" on the last day of school. We provided snacks for their cakewalk station and had the opportunity to help coordinate the cakewalk contest. Our Associates had a blast interacting with the students.



NOMINATING COMMITTEE REPORT

Bill Geubelle, Nominating Committee Chairman

Fellow Members of Cherokee Strip Credit Union,

On behalf of the Nominating Committee, it gives me great pleasure to present the following slate of Director candidates for your consideration:



John Happ (incumbent)

CSCU Member for 37 years; Board Director for five years. Currently serves as Board Treasurer on the Executive Committee, Chairman of the Personnel Committee, and Member of the Investment Committee. Holds a Bachelor's Degree in Business Administration from the University of Wisconsin in Whitewater. Former Assistant Director of Employee Relations at Conoco, and General Manager at Advanced Specialty Chemical Company. Owns Happ Rentals. Mr. Happ served his country honorably for 25 years in the United States Navy in both active and reserve roles, retiring with the distinguished rank of Commander.



Sherri Tapp (incumbent)

CSCU Member and Board Director since 2017. A native of Ponca City, Ms. Tapp and her husband Mike have five children, who have blessed them with 13 grandchildren. She began working for the City of Ponca City in April 1995, hired to supervise both Municipal Court and Utility Billing. Ms. Tapp's previous experience with the 8th District Attorney's Office for 13 years gave her knowledge of the Municipal Court. In her current position, she supervises eight employees in Billing and four in Court. In 2010, she was awarded "Gary Martin City Employee of the Year." Ms. Tapp served on the United Way Board of Directors from 1999-2001, the Marland Estate Commission for several years, and was involved with the local Oktoberfest for over 10 years.



Mike Trewitt (incumbent)

CSCU Member for 15 years; Board Director for nine years. Currently serves as Board Vice Chairman on the Executive Committee, and Member of both the Investment Committee and Personnel Committee. A native of Houston, Texas, Mr. Trewitt earned a Juris Doctor degree from the College of Law at the University of Oklahoma, and is currently self-employed as an attorney with the Trewitt Law Firm.

Each of these individuals has an exemplary record of prior service to this Board, and has willingly offered their names again for consideration.

Let the record reflect that on this day, March 27, 2018, the Nominating Committee of Cherokee Strip Credit Union presents these three Director candidates to our Membership, and recommends a "YES" vote on each.

AGENDA

85th Annual Meeting of the Members – March 27, 2018

1. **Call to Order**
Dr. Robert Howard, Chairman of the Board
2. **Roll Call and Quorum**
Toni Gibson, Board Secretary
3. **Minutes of the 84th Annual Meeting**
Dr. Robert Howard
4. **Report of the Chairman**
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**
10. **Board Nominations**
Bill Geubelle, Chairman
11. **Board Elections**
Dr. Robert Howard
12. **Door Prizes**
13. **Adjournment**



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

Sherri Tapp
Board Director

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

VIP Club:
Text MYCU2 to 21000

LinkedIn:
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Website and Online Banking:
www.cherokeestrip.com

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





BOARD OF DIRECTORS

Front Row (left to right): John Happ, Treasurer; Mike Trewitt, Vice Chairman; Toni Gibson, Secretary; Dr. Robert Howard, Chairman

Back Row: Sherri Tapp, Director; Bill Geubelle, Director; Phillip Johnston, Director; Brad Beaty, Director; Calvin Golliver, Director

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

