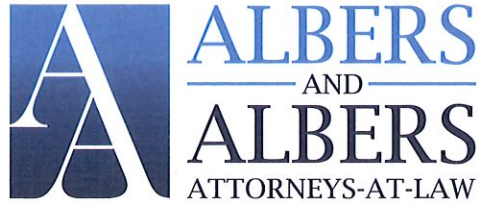


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April 20, 2022

Board of Directors  
Choctaw Utilities  
2005 Itawamba Trail  
London, OH 43140

Re: Choctaw Utilities: Benefits of Converting to a Not-for-profit Corporation Cooperative

Dear Board Members,

Per your request, following is a summary of the benefits of converting to a not-for-profit corporation cooperative:

1. For all intents and purposes, Choctaw Utility ("CU") has, up to this point in time, been operated as a not-for-profit cooperative. It has not been operated to return a profit to its owners as would normally be the case with a for-profit operation. As such, CU should reflect what it truly is, which is a not-for-profit utility cooperative, operated for the benefit of its customers. Its current classification as a for-profit corporation simply does not accurately reflect its true character or nature of its operations.
2. To accomplish the conversion, Choctaw Utilities needs to amend its articles of incorporation to become an Ohio nonprofit corporation by filing amended articles with the Ohio Secretary of State. The entity thereby created will not be an informal or ad hoc committee but a duly created not-for-profit corporation water provider under Ohio law like Del-Co, MORCO, and Ross County Water Company (all major not-for-profit corporation cooperative water providers).
3. If Choctaw Utilities becomes an Ohio nonprofit corporation, it should qualify for the real property tax exemption under ORC 5709.111, which provides for property tax exemption for a nonprofit used exclusively in the treatment, distribution and sale of water to consumers. CU will need to file an application for this exemption with the Madison County Auditor and may have to complete a hearing with the Ohio Department of Taxation if the County Auditor does not approve the application. Once CU's application for exemption is approved, CU would realize real property tax savings (from the county property tax records, the savings will be at least \$52,000 per year, which sum will likely increase every year).
4. For-profit utilities are regulated by the Ohio Public Utilities Commission "PUCO" or pursuant to County Commissioner approval. As such, CU, which currently operates as a for-profit entity, but has not been operating under PUCO or County regulation, is operating in a gray area. The current status of CU is therefore something of an anomaly or hybrid entity not readily accepted or understood by lenders, the Ohio EPA, auditors, accountants, or attorneys, often requiring extensive explanation and discussion to describe its status and accomplish otherwise simple tasks. By becoming a not-for-profit corporation, CU will resolve any confusion regarding its status, and will be free to operate without PUCO or County regulation.
5. CU, as a not-for-profit entity, can potentially, in the future, seek to obtain federal 501 (c)(12) status, which would provide income tax relief. However, the qualifying process has one time tax consequences that are too expensive at this point to pursue.
6. In order to operate as a qualified not-for-profit cooperative, CU is also required to modify its Code of Regulations. The modified Code of Regulations, which have been drafted for approval, mirror in many ways the current set of Code of Regulations already in effect for the property owners association. As with current POA Code of Regulations, customers of CU will elect all 7 members of the board of directors of the corporation from a list of applicants received by a Nominating Committee, which Nominating Committee is comprised of persons appointed by the president of the board and who are not on the board of directors.

Sincerely,

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