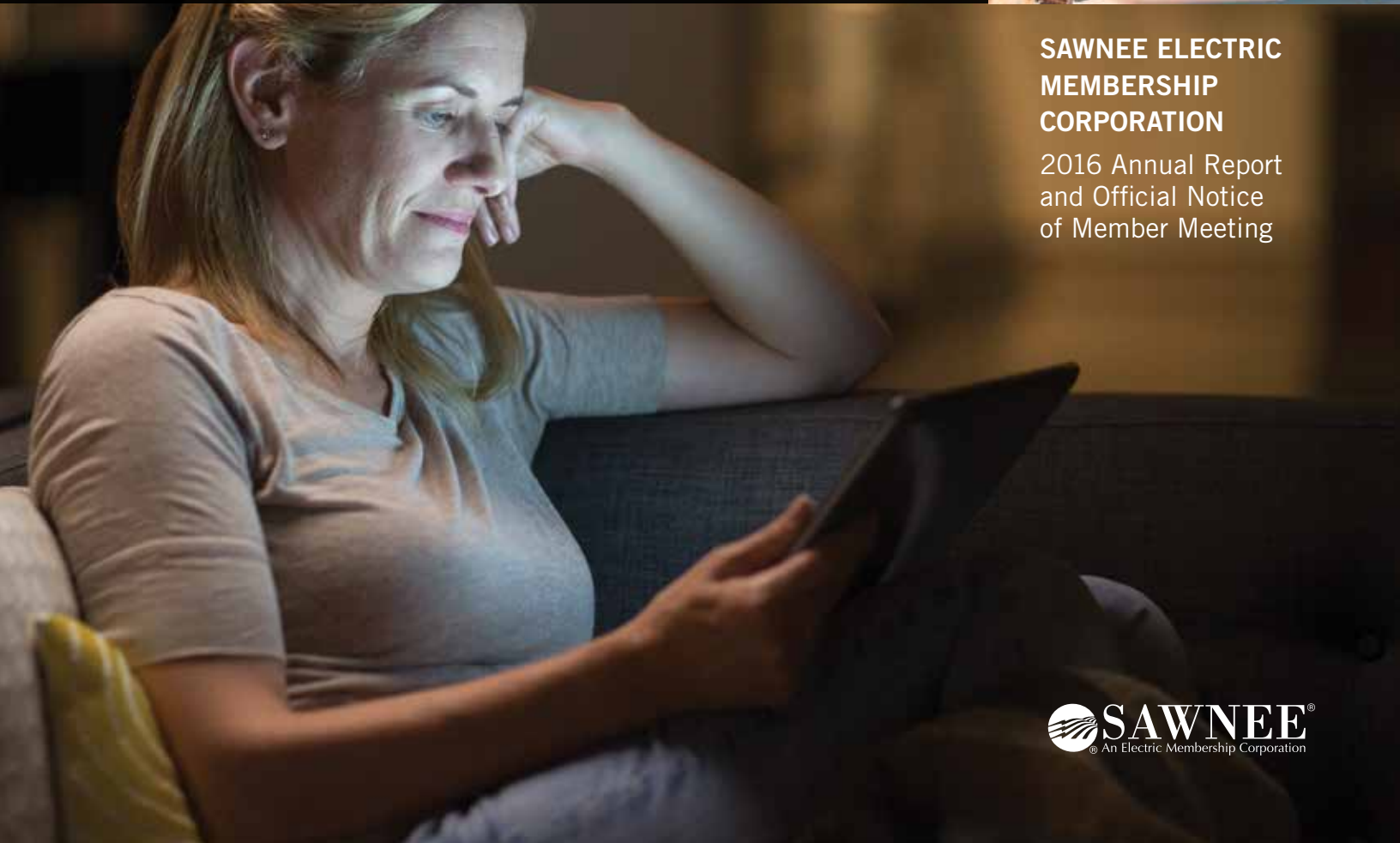




YOUR SOURCE FOR **ENERGY**
YOUR SOURCE FOR **SERVICE**
YOUR SOURCE FOR **INFORMATION**



**SAWNEE ELECTRIC
MEMBERSHIP
CORPORATION**
2016 Annual Report
and Official Notice
of Member Meeting

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Dear Sawnee EMC Member:

On behalf of our Board of Directors and over 320 dedicated staff members, please accept our best wishes to you and your family. It is with pride that we present this, our 2016 Annual Report and the Official Notice of the 2017 Annual Meeting of Members.

Enclosed you will find an Executive Summary of our 2016 audited financial data. The full audit results are available for download at our web site, or we can mail you a copy upon request (please refer to the instructions on page 9). As you will see, Sawnee experienced another positive financial year in 2016; and we have taken several strategic measures to be well positioned into the future.

In this report, you will see our accomplishments with regard to reliability, and also how we continue to deploy renewable energy resources to serve our members' ever-changing energy needs. These areas demonstrate the Cooperative's commitment to being the best electric utility possible, with "member-centric" practices that keep our members' interests first. We strive to keep rates as low as possible and still remain focused on delivering reliable and dependable electricity, with "world-class" service.

“Helping our members be successful, improving their quality of life, and being good stewards of their assets, is at the core of what we do every day”
— Michael Goodroe, President & CEO

Additionally, you will see how we have expanded our distribution assets, as well as provided essential services throughout our seven (7) county territory. We continue to make energy efficiency and conservation a priority and provide information about these programs at every opportunity. Additionally, we are partnering with our members to help them make energy conscious choices which save both energy and money!

Helping our members be successful, improving their quality of life, and being good stewards of their assets, is at the core of what we do every day. Our promise to you is that we will always do this with integrity, and in a manner that makes you proud to say, **“I am a member of Sawnee EMC”**.

As we celebrate our 79th year of operation, we reflect back; we think about the values on which this great organization was established. We understand the importance of putting members first, and being a “servant” to them.

We look forward to the challenges that lie ahead and stand ready to meet them head-on. Thank you for allowing us to serve you and we look forward to doing so for many decades to come.

Sincerely,

Michael A. Goodroe
President and CEO

BOARD OF DIRECTORS

Front row (l-r):

Donna Yost, District 8

Rodney Reese, District 9
(Secretary-Treasurer)

Terry Mathis, District 7
(Chairman)

Marshall Millwood, District 2
(Vice Chairman)

Lamar Sexton, District 3

Back row (l-r):

Gary Porter, District 4

Larry Evans, District 5

Tim Heard, District 6

Roger Coker, District 1



Sawnee EMC is an electric distribution cooperative that serves over 147,000 members. Our operations and engineering personnel maintain 10,451 miles of lines and 40 substations.

We are constantly reviewing and inspecting our distribution system to increase reliability. This includes 24-hour system monitoring, load planning, upgrades and repairs. This not only keeps outages to a minimum, but also speeds up restoration times. Additionally, our extensive right-of-way maintenance procedures protect power quality and prevent outages by keeping plant growth at a reasonable distance from our facilities. Through the use of new technologies, you can rest

assured that Sawnee is doing everything within our control to keep your electric service as reliable as possible.

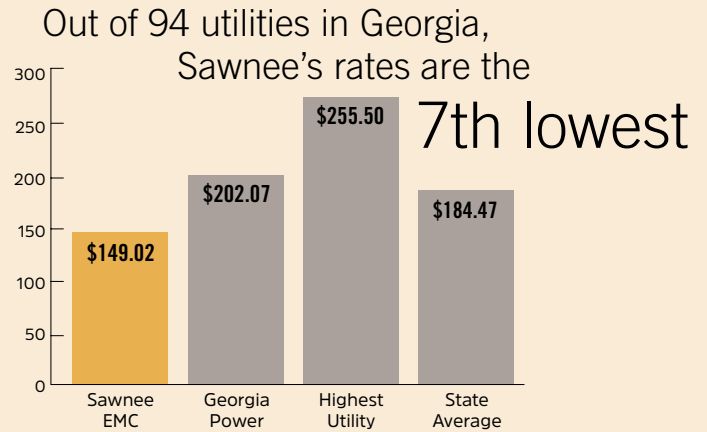
Electricity is still a commodity of great value. Many of our day-to-day purchases have increased substantially over the years, but electricity is still one of the best values around. That is comforting to know, because electricity is more essential than ever; it energizes our lives and keeps us connected. For nearly eight (8) decades, we have been committed to making our members' lives better. We provide dependable electricity at reasonable rates, and we do so with world-class service; and that is a hard combination to beat. Whether you depend on us for your home, or for your business, you can trust that our work force of over 320 dedicated employees is always here to support you; both now and for decades to come.

YOUR SOURCE FOR ENERGY



SOME **ENERGIZING** FACTS:

SEMC is the **3rd largest** co-op in GA and the **9th largest** in the U.S.



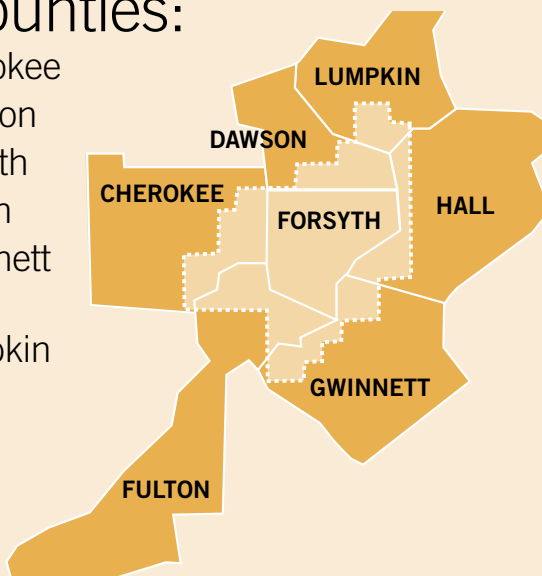
Source: Georgia Public Service Commission 2016 Summer Retail Rate Survey at 1500 kWh level.



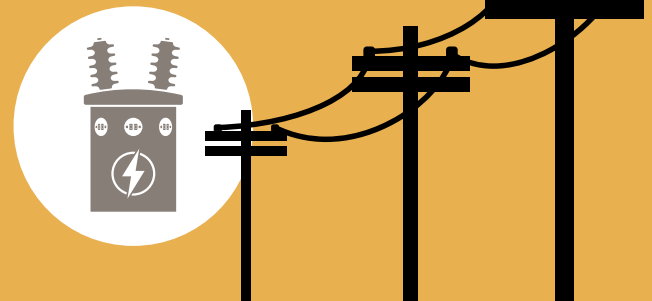
Energy that's renewable, reliable and affordable. Sawnee has successfully negotiated long-term purchase agreements for approximately 61 Megawatts of solar capacity. As a member of SEMC, you can always count on us to make sure your needs are met through traditional and renewable forms of energy.

Sawnee's territory covers portions of **7 counties:**

- Cherokee
- Dawson
- Forsyth
- Fulton
- Gwinnett
- Hall
- Lumpkin



Sawnee EMC has over **147,000** members, **40** substations and **10,451** miles of distribution line



At Sawnee EMC, our focus is on serving your street, not Wall Street. That is the best part about being a member of SEMC... it is your electric cooperative.

Being locally owned, operated, and democratically controlled, means you can trust us to focus on your needs and local priorities and then make decisions that are best for your community. Over the years, we have answered the call to provide additional services and membership benefits because it is important that we exceed our members' expectations and help our communities prosper. This is why we offer free in-home energy evaluations, Co-op Connections discounts, True Natural Gas services, and incentives for various energy efficiency upgrades.

Additionally, our Control Center is in operation 24 hours a day, every day of the year and our employees are always on-call and ready to go to work, reinforcing our commitment to dependability and fast response time.

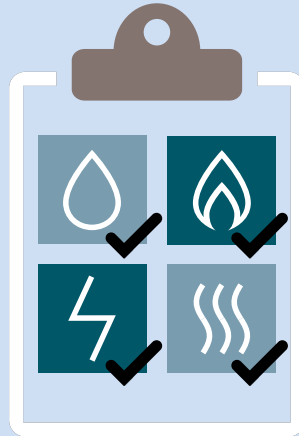
We are committed to earning and preserving your trust, and around here, there's more to trust than just making sure your lights come on when you flip the switch. Whether it is partnering with you, our member, to help control energy usage, or taking care of a street light that needs to be repaired quickly, we are your reliable source for service. You will always be able to count on us to be there for you, regardless of the time of day, or the weather outside. The most important job for our staff is to serve your electricity needs while exceeding your expectations.

YOUR SOURCE FOR **SERVICE**



AT YOUR SERVICE:

644 in-home energy evaluations were completed in 2016.

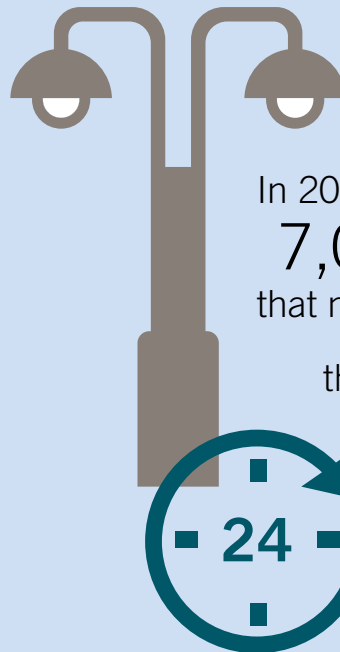


45,022 members received over \$1.7M in 2016 by participating in Sawnee's rebate programs.



All of our lines are customer service lines. Some deliver electricity. Others deliver information. All must deliver on Sawnee's goal to provide you with service that's just as dependable as the energy you count on us for every day.

Currently, 25,625 members have selected True Natural Gas, Sawnee's preferred natural gas provider.



In 2016, members reported 7,037 streetlights that needed attention;

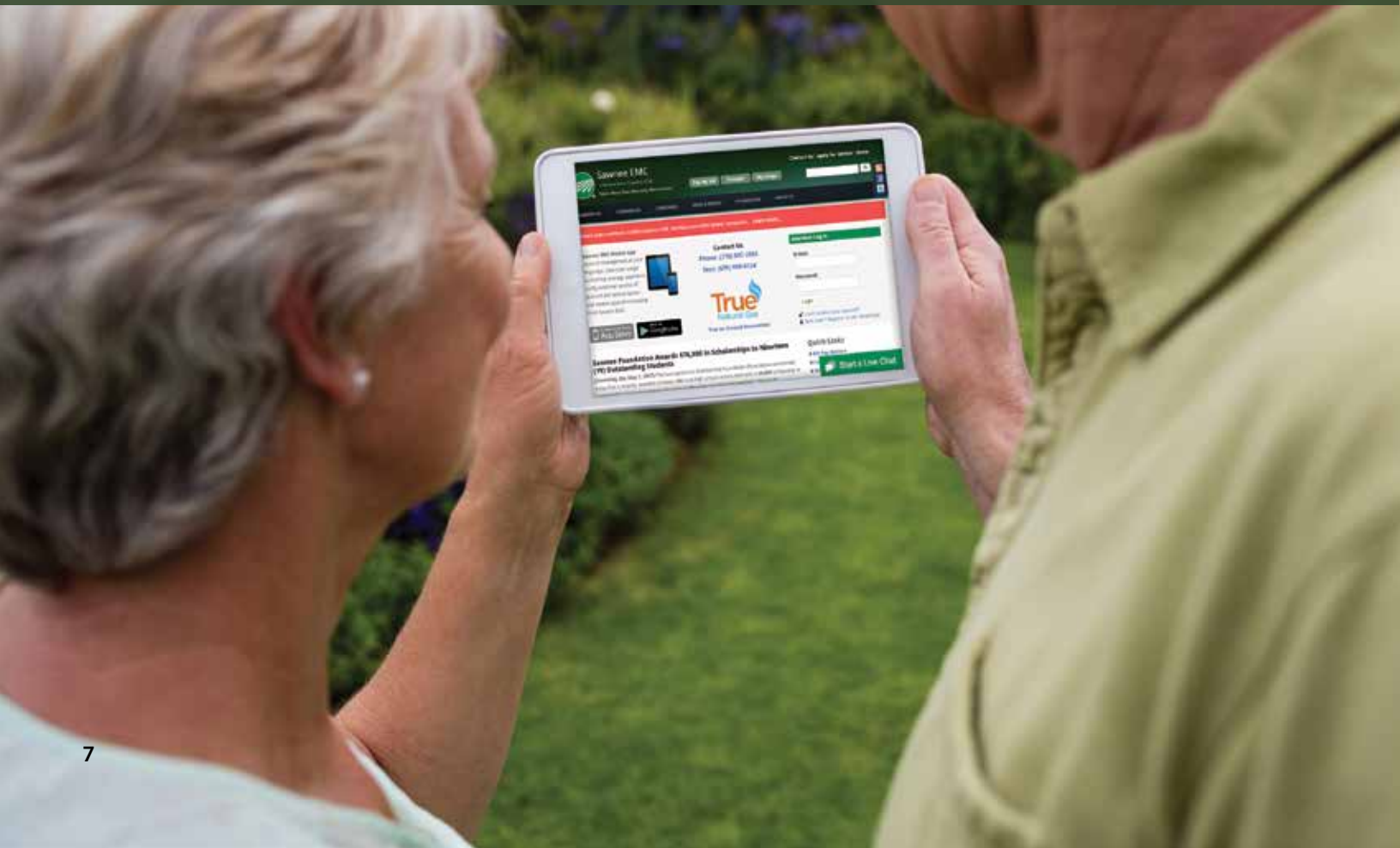
the majority were repaired in less than 24 hours.

Sawnee EMC has been a reliable energy provider in this area for almost 80 years, but we also pride ourselves on being a trusted source of information on all things related to energy.

For advice on how to make your home more energy efficient, contact us. For information on detailed electricity usage, contact us. If you have questions about solar power, stand-by generators, or home energy management systems, you can contact us. Our energy experts are trained to answer your questions, listen to your concerns and help you ensure your efficiency comparisons are “apples to apples.” We pride ourselves on being your trusted energy advisor.

With “24-hour-a-day” account management, our web portal places anything you ever want to know about your Sawnee account right at your fingertips. By downloading the free Sawnee EMC app, you can always be aware and involved in your energy consumption. Furthermore, you can even receive alerts about your energy usage throughout the month, so there is never a reason to wonder what your next bill might be. Your account data is accessible through our secure web portal and allows you to handle almost every action on your account, without making a phone call. We know that trust is earned, not given freely, and here at Sawnee, we work hard to be the voice you can trust – not just for energy, but also for information and advice. At the end of the day, it is the cooperative advantage that allows us to be your trusted partner for information.

YOUR SOURCE FOR INFORMATION



KEEPING YOU **INFORMED:**



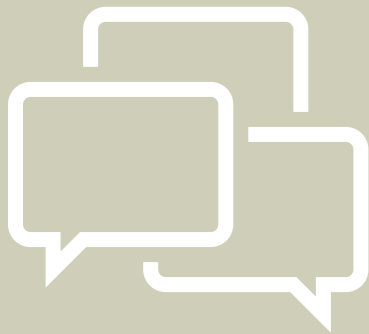
In 2016,
members gained the ability
to **communicate**
with Sawnee via
text messaging.



Sawnee EMC
relays information to over
110,000 members
via **e-mail.**



Trust. Another precious resource we're committed to preserving. Around here, there's more to trust than making sure your lights come on when you flip the switch. We also must have information you can trust, whether it's about renewable energy options or ways to lower your bill.



In the last **12** months,
2,744 members
have requested
information via **chat**
at **www.sawnee.com.**

www.sawnee.com



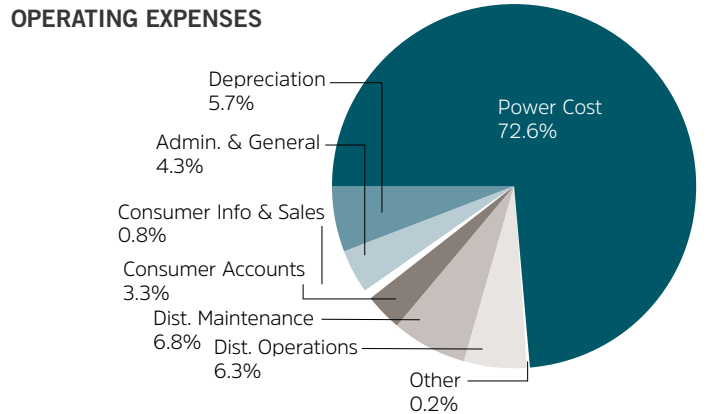
Every day,
approximately
1,500 members access
Smart Hub, Sawnee's
online account
management portal.

SAWNEE ELECTRIC MEMBERSHIP CORPORATION BALANCE SHEETS

ASSETS	2016	2015	MEMBERS' EQUITY & LIABILITIES	2016	2015
UTILITY PLANT			MEMBERS' EQUITY		
Electric Plant in Service-At Cost	\$574,944,734	\$552,277,583	Membership Fees	\$192,610	\$201,350
Construction Work in Progress	7,646,298	4,996,753	Patronage Capital	217,345,141	211,752,288
Gross Utility Plant	582,591,032	557,274,336	Other Equities	5,737,612	5,374,595
Accumulated Provision for Depreciation	(124,694,776)	(125,995,744)		223,275,363	217,328,233
	457,896,256	431,278,592	LONG-TERM LIABILITIES		
OTHER PROPERTY AND INVESTMENTS			Long-Term Debt	237,635,912	200,431,435
Investments in Associated Organizations	40,179,384	38,803,995	Accumulated Provisions for Postretirement Benefits	25,397,330	24,114,947
Restricted Funds	97,071,270	87,071,270	Other Liabilities	378,357	216,204
Other Investments	478,730	478,730		263,411,599	224,762,586
	137,729,384	126,353,995	CURRENT LIABILITIES		
CURRENT ASSETS			Long-Term Debt - Current Portion	9,100,000	8,054,000
Cash and Cash Equivalents	24,590,806	8,491,859	Line-of-Credit	—	10,161,686
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of \$398,977 in 2016 and \$393,173 in 2015)	14,569,857	13,365,323	Accumulated Provisions for Postretirement Benefits Other Than Pensions - Current	678,048	600,646
Materials and Supplies	3,249,017	3,523,292	Accounts Payable	19,106,226	24,296,546
Prepayments	98,667	7,093,408	Consumers' Deposits	7,449,802	7,030,266
Interest Receivable	413,169	258,832	Accrued and Withheld Taxes	6,225,127	4,545,133
	42,921,516	32,732,714	Other	12,106,637	11,471,948
				54,665,840	66,160,225
DEFERRED DEBITS	63,572	5,156,229	DEFERRED CREDITS	97,257,926	87,270,486
TOTAL ASSETS	\$638,610,728	\$595,521,530	TOTAL MEMBERS' EQUITY AND LIABILITIES	\$638,610,728	\$595,521,530

STATEMENTS OF REVENUE AND PATRONAGE CAPITAL

	2016	2015		2016	2015
OPERATING REVENUES	\$329,506,986	\$313,859,965	PATRONAGE CAPITAL - BEGINNING	211,752,288	209,376,142
OPERATING EXPENSES			RETIREMENT OF PATRONAGE CAPITAL	(10,569,456)	(9,489,834)
Cost of Power	224,297,922	219,375,665	PATRONAGE CAPITAL - ENDING	\$217,345,141	\$211,752,28
Distribution Operations	19,490,960	16,967,880			
Distribution Maintenance	21,310,805	20,075,804	OPERATING EXPENSES		
Consumer Accounts	10,202,188	9,487,209	Power Cost	72.6%	
Consumer Information and Sales	2,599,132	2,355,559	Depreciation	5.7%	
Administrative and General	13,380,206	12,274,918	Admin. & General	4.3%	
Depreciation	17,607,273	16,853,235	Consumer Info & Sales	0.8%	
Other	8,782	8,614	Consumer Accounts	3.3%	
	\$308,897,268	297,398,884	Dist. Maintenance	6.8%	
			Dist. Operations	6.3%	
OPERATING MARGINS BEFORE INTEREST EXPENSE	20,609,718	\$16,461,081	Other	0.2%	
INTEREST EXPENSE	11,841,016	11,146,090			
OPERATING MARGINS AFTER INTEREST EXPENSE	8,768,702	5,314,991			
NONOPERATING MARGINS	5,442,036	4,985,812			
GENERATION AND TRANSMISSION COOPERATIVE CAPITAL CREDITS	1,169,181	1,031,159			
OTHER CAPITAL CREDITS AND PATRONAGE CAPITAL ALLOCATIONS	782,390	534,018			
NET MARGINS	\$16,162,309	\$11,865,980			



To view the complete financial statements contained in our 2016 Financial Audit, please visit our website at www.sawnee.com. If you wish to receive a printed copy of this year's financial audit, please contact Mrs. Ginny Ellis, Chief Financial Officer, at 770-887-2363, extension 7578, or via email at ginny.ellis@sawnee.com.

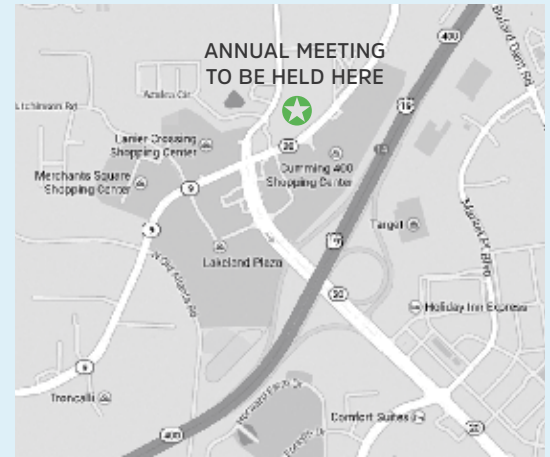
This institution is an equal opportunity provider and employer.

JOIN US FOR OUR 79TH ANNUAL MEETING OF MEMBERS!

See the schedule of events on the back cover for a complete listing of the planned activities. Times are estimated and may vary.

IMPORTANT: THIS IS YOUR ANNUAL MEETING REGISTRATION CARD!

Please bring this notice with you to the Annual Membership Meeting on Saturday, October 7, 2017 and present it at the Registration Desk. Door prizes will be awarded and you must be present to win.



The 2017 Annual Meeting will be held at SEMC's headquarters:

**543 Atlanta Highway
Cumming, GA 30040**



September 15, 2017

P.O. Box 266
Cumming, Georgia 30028
770-887-2363
Fax - 770-886-8119
1-800-635-9131
www.sawnee.com

OFFICIAL NOTICE OF MEMBER MEETING 79TH ANNUAL MEMBERS' MEETING TO BE HELD ON OCTOBER 7, 2017

Dear Sawnee EMC Member,

In accordance with Article 3, Section 3.03, Notice of Member Meeting, of the Bylaws of Sawnee Electric Membership Corporation ("the Corporation"), notice is hereby given that the 2017 Annual Membership Meeting of the Corporation will be held Saturday, October 7, 2017, at Sawnee EMC's headquarters located at 543 Atlanta Highway, Cumming, Georgia. Registration will be from 8:00 a.m. to 11:00 a.m. The Annual Meeting will convene at approximately 9:30 a.m., with the business session scheduled to begin at approximately 10:20 a.m.

The purpose of the meeting is to transact any and all business that might properly come before the membership, at that time. Reports from officers, directors, committees and the district election(s), as well as any unfinished and/or new business, will be presented to the membership.

We urge you to make plans to attend this very important meeting of your Cooperative.

Respectfully,

Rodney H. Reese
Secretary-Treasurer

Sawnee Electric Membership Corporation
Summary of Proposed Bylaw Change • October 7, 2017

Sawnee EMC Members Meeting
To be held on October 7, 2017

Dear SEMC Member,

You are hereby notified that the Board of Directors of Sawnee Electric Membership Corporation will present proposed amendments to the Corporation's Bylaws at the upcoming Annual Meeting. This letter shall serve as your official notice of the proposed Bylaw amendments, as required under Section 15.02 of the Bylaws.

This proposal (see attached text reflecting the proposed language to be added and removed) will be considered by the membership at their meeting on October 7, 2017, and unless otherwise stated, if approved by the membership, these Bylaw changes will become effective as of October 7, 2017.

These amendments will (i.) provide a mechanism for determining the outcome of a director election when a single candidate does not receive a majority of the votes cast; (ii.) provide for a period of time before former employees could seek the office of director; and (iii.) prohibit a current employee from holding the office of director.

Sawnee's Board of Directors reviewed these proposed amendments at a regular meeting held on August 17, 2017, and recommends that the membership approve these Bylaw revisions, as presented.

Respectfully,
SAWNEE ELECTRIC MEMBERSHIP CORPORATION



Michael A. Goodroe
President and CEO

PROPOSED BYLAW AMENDMENT

(Added language is underlined and deleted language is ~~stricken~~ through.)

SECTION 4.02. QUALIFICATIONS. No person shall be eligible to become or remain a director of the Cooperative who

- (a) while serving on the Board or during the five (5) years preceding his nomination thereto shall have been finally adjudged to be guilty of a felony; or
- (b) becomes, or at any time during the five (5) years preceding his nomination shall have been, employed by the Cooperative, employed by (or be a close relative of a person who becomes, or at any time within such preceding five (5) years shall have been, employed by) a labor union which represents, or has represented, or has endeavored to represent any employees of the Cooperative; or
- (c) is, and if elected and seated as a director will continue to be, an employee, a close relative of an incumbent director or of an employee of the Cooperative;
- (d) has not continuously been, for at least one (1) year prior to his nomination, or who ceases after his election to be, a member in good standing of the Cooperative, receiving service therefrom at his primary residential abode in the Directorate District from which he is elected, (except as provided in the first proviso in this Section, in which instance the entity which qualifies a person's eligibility to be elected a director must be and remain a member in good standing); PROVIDED, notwithstanding that he may not receive service from the Cooperative at his primary residential abode, a natural person who is the chief operating executive of any member which is not a natural person, such as a corporation, church or other non-natural person entity,

or his designee, shall be so eligible from the Directorate District in which such entity is located if he or such designee (A) is in substantially permanent occupancy, direction or use of such entity's premises and (B) is a permanent and year-round resident within the outer boundaries of, or in close proximity to, an area served by the Cooperative; PROVIDED, no more than two (2) such persons may serve on the Board at the same time.

No person shall be eligible to become or remain a director of, or to hold any other position of trust in, the Cooperative who is not at least eighteen (18) years old or is in any way employed by or financially interested in a substantially competing enterprise or a business selling electric energy or supplies to the Cooperative.

Notwithstanding the restrictive provisions of this Section that are based upon close relative relationships, no incumbent director shall lose eligibility to remain a director or to be re-elected a director if, during his incumbency, he becomes a close relative of another incumbent director or of a Cooperative employee because of a marriage or an adoption to which he was not a party.

Upon establishment of the fact that a nominee for director lacks eligibility under this Section or as may be provided elsewhere in these Bylaws, it shall be the duty of the Board to disqualify him. Upon the establishment of the fact that any person being considered for, or already holding, a directorship or other position of trust in the Cooperative lacks eligibility under this Section, it shall be the duty of the Board to withhold such position from such person or to cause him to be

continued on page 12

Sawnee Electric Membership Corporation Summary of Proposed Bylaw Change, cont.

October 7, 2017

removed therefrom, as the case may be. Also, the office of a director shall automatically become vacant if he misses three (3) regular meetings of the Board during any twelve (12) consecutive regular meetings, unless two-thirds (2/3) of the remaining directors resolve that the three (3) absences should be disregarded based upon a finding that (1) there was good cause for each such absence, and (2) such cause or causes will not likely result in an unreasonable number of absences during the next ensuing twelve (12) consecutive regular Board meetings.

Nothing contained in this Section shall, or shall be construed to, affect in any manner whatsoever the validity of any action taken at any meeting of the Board unless such action is taken with respect to a matter in which one or more of the directors have a personal interest in conflict with that of the Cooperative.

The territories served by the Cooperative are divided in these Bylaws into Directorate Districts for the purpose of assuring insofar as is deemed practicable, the equitable and geographical representation of members on the Board. These Districts are for the purpose of convenience to, and widespread participation in the voting by, all members within each District. In addition to the qualifications above set forth, no member shall be eligible for the office of director unless he resides in, or unless he is the chief executive (or is the designee of the operating or chief executive) of a non-human member which is located in, the District which he proposes to represent. In the event a director moves from his District or otherwise loses the qualifications necessary for his eligibility to remain a director, as provided in the foregoing provisions of this Section, his office shall be automatically vacant and subject to being filled as provided for in these bylaws.

SECTION 4.04. DIRECTORATE DISTRICT MEETINGS. Each year three Directorate District meetings shall be held for the purpose of electing directors, the dates of such meetings to be as follows:

- GROUP ONE - Beginning with year 1985;**
- District 1** - Birmingham, the first Tuesday in September;
 - District 4** - Dougherty, Wednesday following the first Tuesday in September; and
 - District 6** - Matt, Thursday following the first Tuesday in September.
- GROUP TWO - Beginning with year 1986;**
- District 2** - Chestatee, the first Tuesday in September;
 - District 7** - Italy, Wednesday following the first Tuesday in September; and
 - District 9** - Webb, Thursday following the first Tuesday in September.
- GROUP THREE- Beginning with year 1987;**
- District 3** - Cumming, the first Tuesday in September;
 - District 5** - Ducktown, Wednesday following the first Tuesday in September; and
 - District 8** - Ocee, Thursday following the first Tuesday in September.

Every third year thereafter, each Group of Districts as above provided for shall have their respective meetings on the dates above specified and at such places and times, in or within the vicinity of each such District, as the Board determines to be most convenient for the holding of such meetings.

Notwithstanding the foregoing, the Board, for cause sufficient to it, may fix a different date for the holding of any District meeting on a day ten (10) or fewer days prior or subsequent to the date above provided for each District. Additionally, if the day fixed for any such meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. Should the meeting not be held on the day specified or as provided for in this Section, or if the election of a director shall not be held as specified herein or at an adjournment of such meeting, the Board may cause the election of the director to be held at a special Directorate District meeting as soon thereafter as conveniently may be. Failure to hold any such meetings at a designated time shall not work a forfeiture of dissolution of the Cooperative.

Directors shall be elected by secret written ballot or secret electronic voting by the members of that Directorate District. Whenever there are two or more candidates for the same Directorate District, the one receiving the majority of votes (50% plus 1) shall win. Should no candidate receive a majority of the votes, the representative of the Directorate District shall be chosen by additional secret ballots between the two candidates receiving the highest number of votes in the prior balloting. The runoff election shall be conducted under the supervision and at the direction of the Directorate District Credentials and Election Committee at a specially called Directorate District meeting and its associated early voting period, in general conformity with and, except as provided in the first proviso of Section 4.02 4.04 of these Bylaws,; from among natural persons who are members. Whenever there are two or more candidates for the same directorship, the one receiving the highest number of votes shall win. Drawing by lot shall resolve, where necessary, any time votes. Such runoff election shall occur no sooner than thirty (30), and no later than sixty (60), days after the date of the earlier Directorate District meeting in which no candidate received a majority of the votes cast.

Votes shall be cast in all director elections in person, and may be cast either: (1) while present at a Directorate District meeting, or (2) during the early voting period for contested elections. As used herein, the early voting period shall be a period of up to eight (8) days immediately prior to a Directorate District meeting during which members shall be allowed to vote at such location(s) and time(s), and pursuant to such rules and procedures, as shall be determined by the Credentials and Elections Committee. Members who cast a vote during the early voting period, regardless of whether such member is present at any portion of that Directorate District meeting, shall be included in the number of members represented for the purpose of determining whether a quorum is achieved to conduct the election of directors.

Identification
Number

Name 1
Name 2
Address 1
Address 2
City, state Zip

IMPORTANT!
**This is your Registration
Card. Please bring it to the
2017 Sawnee EMC Annual
Meeting of Members.**

2017 ANNUAL MEETING **AGENDA**

8:00 A.M. - 10:00 A.M.

CONTINENTAL BREAKFAST

- Enjoy muffins, pastries and, of course, those delicious homemade biscuits. Bottled water, juice, coffee and soft drinks will also be available

8:00 A.M. - 11:00 A.M.

REGISTRATION

- Bring your meeting Registration Card and present it at the Registration Desk

9:00 A.M. - 9:25 A.M.

GENERAL ENTERTAINMENT

- "8 Up With Dixie", Dixieland band, performs

9:30 A.M.

WELCOME AND ANNOUNCEMENTS

- Meeting begins (Reserved seating and parking for handicapped attendees will be provided)

9:35 A.M. - 10:00 A.M.

GENERAL ENTERTAINMENT

- "Chestatee Elementary Chorus" performs

10:05 A.M.

INTRODUCTIONS

10:15 A.M.

AWARD PRESENTATIONS

10:20 A.M.

BUSINESS SESSION

- Report of Quorum
- Reading of Official Notice of Meeting and Proof of Mailing
- Reading of Minutes of Prior Meeting
- Report of District Director Elections
- Presentation of Reports by CEO
- Unfinished Business
- New Business
 - Bylaw Amendment
- Business Meeting Adjourns

10:45 A.M.

FEATURED ENTERTAINMENT

- "The Joymasters" perform

11:15 A.M.

AWARDING OF DOOR PRIZES

- General Prizes – There will be energy credits and additional prizes given away
- Children's Prize – One bicycle to a child 12 years of age or younger

11:45 A.M.

MEETING ENDS

(Note: Times are estimated and may vary from what is shown above.)